Executed Version

EQUITY COMMITMENT LETTER

May 12, 2026

SpringX Holdings Limited
Suite #4-210,Governors Square,
23 Lime Tree Bay Avenue,
PO Box 32311,
Grand Cayman KY1-1209,
Cayman Islands

Ladies and Gentlemen:

This letter agreement (this "**Letter**") sets forth the commitment of Retail Technology Asia Limited (the "**EC Investor**"), upon the terms and subject to the conditions set forth herein, to purchase, directly or indirectly, certain equity interests of SpringX Holdings Limited, an exempted company with limited liability incorporated under the Laws of the Cayman Islands ("**Parent**").

It is contemplated that, pursuant to that certain agreement and plan of merger, dated as of the date hereof (as may be amended, restated, supplemented or otherwise modified from time to time, the "**Merger Agreement**"), by and among Parent, AutumnX Holdings Limited, an exempted company with limited liability incorporated under the Laws of the Cayman Islands and a wholly-owned Subsidiary of Parent ("**HoldCo**"), SummerX Holdings Limited, an exempted company with limited liability incorporated under the Laws of the Cayman Islands and a wholly-owned Subsidiary of HoldCo ("**Merger Sub**" and, together with Parent and HoldCo, the "**Parent Parties**" and each, a "**Parent Party**"), and Cloopen Group Holding Limited, an exempted company with limited liability incorporated under the Laws of the Cayman Islands (the "**Company**"), Merger Sub will merge with and into the Company, with the Company continuing as the surviving company and becoming a wholly-owned Subsidiary of HoldCo (the "**Merger**"), upon the terms and subject to the conditions set forth in the Merger Agreement. Capitalized terms used and not otherwise defined herein and the term "person" shall have the meanings ascribed to such terms in the Merger Agreement. For purposes of this Letter, "**Affiliate**" shall have the meaning ascribed to it in that certain interim investors agreement, dated as of the date hereof (the "**Interim Investors Agreement**"), by and among the Parent Parties and the other parties thereto.

Concurrently with the execution and delivery of this Letter, each of Trustbridge Partners VII, L.P. and Cloopen Co., Ltd. (collectively, the "**Other EC Investors**" and each, an "**Other EC Investor**") is entering into a letter agreement in form and content substantially identical (except for the definition of "Commitment") to this Letter (collectively, the "**Other Equity Commitment Letters**") committing to purchase, directly or indirectly, certain equity interests of Parent.

1. Commitment. Subject to the terms and conditions set forth herein, the EC Investor hereby irrevocably commits and agrees that, at or prior to the Closing, it shall purchase, or cause the purchase of, directly or indirectly through one or more intermediate entities, equity interests of Parent, and pay, or cause to be paid to Parent in immediately available funds, an aggregate purchase price equal to US$36,000,000 (the "**Commitment**") (such Commitment, together with the commitments of the Other EC Investors under the Other Equity Commitment Letters, the "**Aggregate Commitment**"). Notwithstanding anything to the contrary in this Letter, the EC Investor shall not be obligated to contribute to Parent an amount in excess of, and the aggregate amount of liability of the EC Investor hereunder shall not exceed, the Commitment (the "**Cap**"), and this Letter may not be enforced against the EC Investor without giving effect to the Cap. The Aggregate Commitment, subject to the Cap under this Letter and the applicable caps under the Other Equity Commitment Letters, together with the net proceeds of the Debt Financing and/or the Alternative Financing (if applicable), will solely be used to fund, to the extent necessary to fund, the Merger Consideration and such other amounts required to be paid by Parent at the Effective Time pursuant to Article 2 of the Merger Agreement in connection with the consummation of the Transactions, including the Merger, upon the terms and conditions of the Merger Agreement and all related fees and expenses associated therewith (which, in each case and for the avoidance of doubt, shall not include the Parent Termination Fee or any Guaranteed Obligations) (collectively, the "**Closing Payments**"). Subject to the terms and conditions set forth in this Letter and the Interim Investors Agreement, the EC Investor may assign all or a portion of the Commitment to any of its Affiliates that is a permitted assignee and the Commitment will be reduced by any amounts actually contributed to Parent by such person at or prior to the Closing for the purpose of funding the Closing Payments. If Parent does not require all of the Aggregate Commitment in order for Parent to pay the Closing Payments and to consummate the Transactions, including the Merger, the amount of the Commitment may be reduced by Parent in accordance with the Interim Investors Agreement but only to the extent that Parent has sufficient funds to pay the Closing Payments in full and to consummate the Transactions, including the Merger, following such reduction.

2. Conditions. The Commitment shall be subject to the satisfaction of the following conditions: (a) the satisfaction or waiver, if permissible of each of the conditions to the Parent Parties' obligations to consummate the Closing set forth in Section 7.01 and Section 7.02 of the Merger Agreement (in each case, other than any conditions that by their nature are to be satisfied at the Closing, but subject to the prior or substantially concurrent satisfaction or waiver of such conditions); (b) the Debt Financing and/or the Alternative Financing (if applicable) has been funded or will be funded at the Closing if the Aggregate Commitment is funded; (c) the substantially contemporaneous funding to Parent of the commitments of the Other EC Investors contemplated by the Other Equity Commitment Letters, *provided* that the satisfaction or failure of the condition set forth in this clause (c) shall not limit or impair the ability of Parent or the Company to seek enforcement of the obligations of

the EC Investor under and in accordance with this Letter if Parent or the Company, as applicable, is also concurrently seeking enforcement of the Other Equity Commitment Letters; and (d) the substantially contemporaneous consummation of the Closing.

3. Limited Guarantee. Concurrently with the execution and delivery of this Letter, (a) the EC Investor is executing and delivering in favor of the Company a limited guarantee, dated as of the date hereof (the "**Limited Guarantee**"), related to certain of Parent's and HoldCo's obligations under the Merger Agreement, and (b) each Other EC Investor is executing and delivering to the Company a limited guarantee in form and content substantially identical (except for the definitions of "Cap" and "Pro Rata Percentage") to the Limited Guarantee (each, an "**Other Limited Guarantee**" and together with the Limited Guarantee, collectively, the "**Limited Guarantees**") related to certain of Parent's and HoldCo's obligations under the Merger Agreement. Other than as set forth in Section 5, the Company's right to assert any Retained Claim against the Non-Recourse Party(ies) against which such Retained Claim(s) may be asserted pursuant to Section 6 of the Limited Guarantee shall be, and is intended to be, the sole and exclusive direct or indirect remedy available to the Company, any of its Affiliates and any of its or their respective directors, managers, general partners or officers (each, a "**Company Related Party**"), or any person against the EC Investor or any other Non-Recourse Party (against which a Retained Claim may be asserted pursuant to Section 6 of the Limited Guarantee) in respect of any liabilities or obligations arising under, or in connection with, this Letter, the Limited Guarantee, the Merger Agreement or the Transactions, including the Merger, or the negotiation hereof or thereof, including in the event Parent or HoldCo breaches its obligations hereunder and thereunder, whether or not such breach is caused by the EC Investor's breach of its obligations under this Letter. For purposes of this Letter, the terms "**Retained Claim**," "**Non-Recourse Party(ies)**," "**Guaranteed Obligations**," "**Guarantor**," and "**Other Guarantor**" each have the meanings ascribed to them in the Limited Guarantee.

4. Parties in Interest; Third Party Beneficiaries. Each party hereto hereby agrees that its respective agreements and obligations set forth herein are solely for the benefit of the other party hereto and its successors and permitted assigns, in accordance with and subject to the terms of this Letter, and this Letter is not intended to, and does not, confer upon any person, other than the parties hereto and their respective successors and permitted assigns, any benefits, rights or remedies under or by reason of, or any rights to enforce or cause Parent to enforce, the obligations set forth herein; *provided* that (a) the Company is an express third-party beneficiary of Section 5(b), and Section 7, in each case subject to the terms and conditions thereof, and (b) any Non-Recourse Party may rely on and enforce the provisions of Section 3.

5. Enforceability. This Letter may only be enforced by (a) Parent as provided in the Interim Investors Agreement or (b) the Company pursuant to the Company's right to seek specific performance of Parent's obligation to enforce the EC Investor's obligation to fund the Commitment in accordance with the terms

hereof, subject to and solely in accordance with the terms and conditions of Section 9.08 of the Merger Agreement and the rights, obligations and limitations set forth herein and therein. The Company is thereby made third party beneficiary of the rights granted to Parent under this Letter solely for the purpose of directly enforcing the rights of Parent to cause the EC Investor to fund the Commitment under this Letter through an action for specific performance of Parent's right to cause the Commitment to be funded hereunder in accordance with Section 1 hereof (solely to the extent that Parent can enforce the Commitment pursuant to the terms hereof), and for no other purpose (including any claim for monetary damages). Neither Parent's creditors nor any other person (other than the Company to the extent provided herein) shall have any right to enforce this Letter or to cause Parent to enforce this Letter.

6. No Modification; Entire Agreement. This Letter may not be amended or otherwise modified (nor may any provision be waived) without the prior written consent of Parent and the EC Investor. Together with the Merger Agreement, the Financing Documents, the Interim Investors Agreement, the Support Agreement, the Other Equity Commitment Letters, the Limited Guarantees and the Confidentiality Agreements, this Letter constitutes the entire agreement, and supersedes all prior agreements, understandings and statements, written or oral, between the EC Investor or any of its Affiliates, on the one hand, and Parent or any of its Affiliates, on the other, with respect to the transactions contemplated hereby.

7. Governing Law; Jurisdiction; Venue; Waiver of Jury Trial.

(a) This Letter and all suits, actions or proceedings (whether based on contract, tort or otherwise) arising out of or relating to this Letter, any of the transactions contemplated by this Letter, or any of the acts or omissions of Parent, the EC Investor or the Company in the negotiation, execution, performance or enforcement hereof or thereof shall be governed by, and construed in accordance with, the Laws of the State of New York, without giving effect to any choice of Law or conflict of Law rules or provisions that would cause the application of the Laws of any jurisdiction other than the State of New York.

(b) Subject to the last sentence of this paragraph, any disputes, actions and proceedings against any party hereto or arising out of or in any way relating to this Letter shall be submitted to the Hong Kong International Arbitration Centre ("**HKIAC**") and resolved in accordance with the Arbitration Rules of HKIAC in force at the relevant time and as may be amended by this Section 7(b) (the "**Rules**"). The place of arbitration shall be Hong Kong. The official language of the arbitration shall be English and the tribunal shall consist of three (3) arbitrators (each, an "**Arbitrator**"). The claimant(s), irrespective of number, shall nominate jointly one (1) Arbitrator; the respondent(s), irrespective of number, shall nominate jointly one (1) Arbitrator; and a third Arbitrator will be nominated jointly by the first two

Arbitrators and shall serve as chairman of the arbitration tribunal. In the event the claimant(s) or respondent(s) or the first two Arbitrators shall fail to nominate or agree the joint nomination of an Arbitrator or the third Arbitrator within the time limits specified by the Rules, such Arbitrator shall be appointed promptly by the HKIAC. The arbitration tribunal shall have no authority to award punitive or other punitive-type damages. The award of the arbitration tribunal shall be final and binding upon the disputing parties hereto. Any party hereto to an award may apply to any court of competent jurisdiction for enforcement of such award and, for purposes of the enforcement of such award, the parties hereto irrevocably and unconditionally submit to the jurisdiction of any court of competent jurisdiction and waive any defenses to such enforcement based on lack of personal jurisdiction or inconvenient forum.

(c) Notwithstanding the foregoing, the parties hereto hereby consent to and agree that in addition to any recourse to arbitration as set out in this Section 7, any party hereto may, to the extent permitted under the rules and procedures of the HKIAC, seek an interim injunction or other form of relief from the HKIAC as provided for in its Rules. Such application shall also be governed by, and construed in accordance with, the Laws of the State of New York.

(d) EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS LETTER AND ANY OF THE AGREEMENTS DELIVERED IN CONNECTION HEREWITH OR THE MERGER AND OTHER TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY HERETO CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE EITHER OF SUCH WAIVERS, (B) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVERS, (C) IT MAKES SUCH WAIVERS VOLUNTARILY, AND (D) IT HAS BEEN INDUCED TO ENTER INTO THIS LETTER BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 7(d).

8. Counterparts. This Letter shall not be effective until it has been executed and delivered by all parties hereto. This Letter may be executed in any number of counterparts (including by .pdf delivered via email), each such counterpart when executed being deemed to be an original instrument, and all such counterparts shall together constitute one and the same agreement.

9. Confidentiality. This Letter shall be treated as confidential and is being provided to Parent and the Company solely in connection with the Transactions, including the Merger. This Letter may not be used, circulated, quoted or otherwise referred to in any document by Parent or the Company (other than the Merger Agreement, the Financing Documents, the Interim Investors Agreement, the Support Agreement, the Other Equity Commitment Letters and the Limited Guarantees) except with the prior written consent of the EC Investor in each instance; *provided* that no such written consent is required for any disclosure of the existence or content of this Letter by Parent or the Company: (a) to the extent required by applicable Law, the applicable rules of any securities exchange or in connection with any SEC filings relating to the Transactions, including the Merger (provided that, to the extent permitted by applicable Law, Parent or the Company, as applicable, will provide the EC Investor an opportunity to review such required disclosure in advance of such disclosure being made), (b) to any of the Parent's Representatives or the Company Representatives who need to know of the existence or terms of this Letter.

10. Termination. This Letter and the obligation of the EC Investor under or in connection with this Letter will terminate automatically and immediately upon the earliest to occur of (a) the Effective Time, at which time such obligation will be discharged but subject to the performance of such obligation, (b) the termination of the Merger Agreement in accordance with its terms, (c) the Company or any Company Related Party (which, for the purpose of this sentence, shall exclude the Guarantor, any Other Guarantor, any Rollover Shareholder, any Management Party and any Affiliate of the foregoing), or any person claiming by, through or for the benefit of any of the foregoing, asserting in writing a claim that (i) the EC Investor's, Parent's or any of their respective Affiliates' liability under or in respect of this Letter, the Merger Agreement, the Limited Guarantee, any of the transactions contemplated hereby or thereby and/or any related matters is not limited to the amount of the Commitment (in the case of this Letter) or Cap (in the case of the Limited Guarantee) or that the limitation of such liability to the amount of such Commitment or Cap is illegal, invalid or unenforceable, in whole or in part, or (ii) the liability of the Guarantor under or in respect of the Limited Guarantee is not limited in accordance with the limitations set forth therein, or that any of such limitations is illegal, invalid or unenforceable, in whole or in part, and (d) the Company or any Company Related Party (which, for the purpose of this sentence, shall exclude the Guarantor, any Other Guarantor, any Rollover Shareholder, any Management Party and any Affiliate of the foregoing), or any person claiming by, through or for the benefit of any of the foregoing, asserting in writing a claim against the EC Investor or any Non-Recourse Party under or in connection with this Letter or any other Transaction Document or any of the transactions contemplated hereby or thereby and/or any related matters, other than the Company or any Company Related Party asserting any Retained Claim against any Non-Recourse Party(ies) against which such Retained Claim may be asserted pursuant to Section 6 of the Limited Guarantee.

11. No Recourse. Notwithstanding anything that may be expressed or implied in this Letter or any document or instrument delivered in connection herewith, by its acceptance of the benefits of this Letter, Parent covenants, agrees and acknowledges that no person other than the EC Investor has any obligation hereunder.

12. No Assignment. Neither this Letter nor any rights, benefits or obligations set forth herein shall be assigned (whether by operation of law, merger, consolidation or otherwise), delegated or otherwise transferred by either party hereto without the consent of the other party hereto, except that the EC Investor may, subject to the terms and conditions set forth in this Letter and the Interim Investors Agreement, assign, delegate or otherwise transfer its rights, benefits or obligations set forth herein, including its obligation to fund the Commitment, in whole or in part, without the consent of Parent, to its Affiliate(s) to which it has allocated all or a portion of its commitment to Parent; *provided* that no such assignment, delegation or transfer shall relieve the EC Investor of its obligations hereunder. Any purported assignment, delegation or transfer in violation of this Section 11 shall be null and void and of no force and effect.

13. Severability. Any term or provision of this Letter that is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Letter or affecting the validity or enforceability of any of the terms or provisions of this Letter in any other jurisdiction. If any provision of this Letter is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

14. Representations and Warranties. The EC Investor hereby represents and warrants to Parent that:

(a) it has the requisite power and authority to execute and deliver this Letter, to perform its obligations hereunder and to consummate the transactions contemplated hereby, and is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its formation;

(b) this Letter has been duly executed and delivered by it and the execution, delivery and performance of this Letter by it and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate or similar action on the part of it, and no other corporate or similar actions or proceedings on the part of it are necessary to authorize this Letter or to consummate the transactions contemplated hereby;

(c) it will have the financial capacity to pay or cause to be paid the Commitment amount to Parent at or prior to the Effective Time;

(d) assuming due authorization, execution and delivery by Parent, this Letter constitutes a legal, valid and binding agreement of it, enforceable

against it in accordance with its terms, except as enforcement may be limited by the Bankruptcy and Equity Exception;

(e) except for the applicable requirements of the Exchange Act and Laws of the Cayman Islands, (i) no filing with, and no permit, authorization, consent or approval of, any Governmental Authority is required on the part of it for the execution, delivery and performance of this Letter by it or the consummation by it of the transactions contemplated hereby, and (ii) neither the execution, delivery or performance of this Letter by it, nor the consummation by it of the transactions contemplated hereby, nor compliance by it with any of the provisions hereof shall in any material respect (x) conflict with or violate any provision of the organizational documents of it, (y) result in any breach or violation of, or constitute a default (or an event which, with notice or lapse of time or both, would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of a Lien on property or assets of it pursuant to, any Contract to which it is a party or by which it or any property or asset of it is bound or affected, in each case which have, or could have, the effect of preventing, impeding or interfering with or adversely affecting the performance by it of its obligations under this Letter, or (z) violate any order, writ, injunction, decree, statute, rule or regulation applicable to it or any of its properties or assets; and

(f) on the date hereof, there is no Action pending against it or, to the knowledge of it, any other person or, to the knowledge of it, threatened against it or any other person that restricts or prohibits (or, if successful, would restrict or prohibit) the performance by it of its obligations under this Letter.

15. Construction. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Letter. The following provisions shall be applied wherever appropriate herein: (i) when a reference is made in this Letter to a Section, such reference shall be to a Section of this Letter unless otherwise indicated; (ii) "herein", "hereby", "hereunder", "hereof" and other equivalent words shall refer to this Letter as an entirety and not solely to the particular portion of this Letter in which any such word is used; (iii) all definitions set forth herein shall be deemed applicable whether the words defined are used herein in the singular or the plural; (iv) wherever used herein, any pronoun or pronouns shall be deemed to include both the singular and plural and to cover all genders; (v) the word "including" or any variation thereof shall mean "including, without limitation"; (vi) the word "extent" in the phrase "to the extent" means the degree to which a subject or other thing extends and such phrase shall not mean simply "if"; and (vi) the symbol "US$" refers to United States Dollars.

[*Signature pages follow.*]

Sincerely,

Retail Technology Asia Limited

By: _____
Name: Zhang Feng
Title: Director

Agreed to and accepted by as of the date first written above:

SpringX Holdings Limited

By: _____
Name: LIN Ning David
Title: Authorized Signatory

LIMITED GUARANTEE

LIMITED GUARANTEE, dated as of May 12, 2026 (this "**Limited Guarantee**"), by Retail Technology Asia Limited (the "**Guarantor**"), in favor of Cloopen Group Holding Limited, an exempted company with limited liability incorporated under the Laws of the Cayman Islands (the "**Guaranteed Party**"). Capitalized terms used and not otherwise defined herein and the term "person" shall have the meanings ascribed to such terms in the Merger Agreement (as defined below). For purposes of this Limited Guarantee, "**Affiliate**" shall have the meaning ascribed to it in that certain interim investors agreement, dated as of the date hereof (the "**Interim Investors Agreement**"), by and among the Parent Parties and the other parties thereto.

Concurrently with the delivery of this Limited Guarantee, each of Trustbridge Partners VII, L.P. and Cloopen Co., Ltd. (collectively, the "**Other Guarantors**" and each, an "**Other Guarantor**") is entering into a limited guarantee in form and content substantially identical (except for the definitions of "Cap" and "Pro Rata Percentage") to this Limited Guarantee (collectively, the "**Other Limited Guarantees**" and each, an "**Other Limited Guarantee**") in favor of the Guaranteed Party.

1. Guarantee.

(a) To induce the Guaranteed Party to enter into that certain agreement and plan of merger, dated as of the date hereof (as may be amended, restated, supplemented or otherwise modified from time to time, the "**Merger Agreement**"), by and among SpringX Holdings Limited, an exempted company with limited liability incorporated under the Laws of the Cayman Islands ("**Parent**"), AutumnX Holdings Limited, an exempted company with limited liability incorporated under the Laws of the Cayman Islands and a wholly-owned Subsidiary of Parent (" **HoldCo**"), SummerX Holdings Limited, an exempted company with limited liability incorporated under the Laws of the Cayman Islands and a wholly-owned Subsidiary of HoldCo ("**Merger Sub**" and, together with Parent and HoldCo, the "**Parent Parties**" and each, a "**Parent Party**"), and the Guaranteed Party, pursuant to which Merger Sub will merge with and into the Guaranteed Party, with the Guaranteed Party continuing as the surviving company and becoming a wholly-owned Subsidiary of HoldCo (the "**Merger**"), the Guarantor, intending to be legally bound, hereby absolutely, irrevocably and unconditionally guarantees to the Guaranteed Party, on the terms and conditions set forth herein, the due and punctual performance and discharge of the Pro Rata Percentage (as defined below) of the payment obligations of Parent or HoldCo to the Guaranteed Party under Section 8.06(b) and Section 6.07(f) of the Merger Agreement, if, as and when those obligations become payable under, and in each case subject to the terms and limitations of, the Merger Agreement (collectively and without regard to the Pro Rata Percentage, the "**Guaranteed Obligations**"); *provided* that, notwithstanding anything to the contrary contained in this Limited Guarantee, (i) in no event shall the Guarantor's aggregate liability under this Limited Guarantee exceed 49.79253% (the "**Pro Rata Percentage**") of the amount of (x) US$3,202,319 *plus* (y) any costs, expenses and interests payable by

Parent Parties to the Company pursuant to Section 6.07(f), Section 8.06(b) and Section 8.06(d) of the Merger Agreement less (z) any amount actually paid by or on behalf of Parent or HoldCo to the Guaranteed Party (such limitations on the liability of the Guarantor in respect of the Pro Rata Percentage of the Guaranteed Obligations being herein referred to as the "**Cap**"), (ii) this Limited Guarantee may not be enforced against the Guarantor without giving effect to the proviso to the immediately preceding sentence, including the Cap, and to the provisions of Sections 5 and 6, and (iii) the Guaranteed Party shall not seek to enforce this Limited Guarantee for an amount in excess of the Cap. This Limited Guarantee may be enforced for the payment of money only. All payments hereunder shall be made in lawful money of the United States, in immediately available funds.

(b) If Parent fails to perform or discharge, or cause to be performed or discharged, any Guaranteed Obligations when due, then the Guarantor shall, on the Guaranteed Party's demand in writing, pay to the Guaranteed Party the Pro Rata Percentage of the Guaranteed Obligations (subject to the Cap), and the Guaranteed Party may at any time and from time to time, at its option, and so long as Parent has failed to perform or discharge, or cause to be performed or discharged, the Guaranteed Obligations, take any and all actions available hereunder to collect the Guarantor's liabilities hereunder in respect of the Pro Rata Percentage of the Guaranteed Obligations, subject to the Cap and other limitations set forth herein.
The Guarantor agrees to pay on demand, subject to the Cap, all reasonable and documented out-of-pocket expenses (including reasonable fees and expenses of counsel) incurred by the Guaranteed Party in connection with the enforcement of its rights thereunder in the event that (i) the Guarantor asserts in any action that this Limited Guarantee is illegal, invalid or unenforceable in accordance with its terms and the Guaranteed Party prevails in such action, or (ii) the Guarantor fails or refuses to make any payments to the Guaranteed Party hereunder if and when due and payable and it is finally determined judicially or by arbitration that the Guarantor is required to make such payment hereunder.

2. Nature of Guarantee. The Guarantor's liability hereunder is, subject to the terms and conditions hereof, absolute, irrevocable, unconditional and continuing irrespective of any modification, amendment or waiver of or any consent to departure from the Merger Agreement that may be agreed to by the Parent Parties, in each case to the extent that any of the foregoing does not have the effect of expanding the circumstances under which the Parent Termination Fee is payable under the Merger Agreement or increasing the Cap. Without limiting the foregoing, the Guaranteed Party shall not be obligated to file any claim relating to the Guaranteed Obligations in the event that any of the Parent Parties becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of the Guaranteed Party to so file shall not affect the Guarantor's obligations hereunder. In the event that any payment to the Guaranteed Party hereunder in respect of the Guaranteed Obligations is rescinded or must otherwise be, and is, returned to the Guarantor for any reason whatsoever (other than as set forth in Section 5), the Guarantor shall, subject to the terms and conditions hereof (including the Cap), remain liable hereunder with respect to the Pro Rata Percentage of the Guaranteed Obligations, as if such payment had not been made. This Limited Guarantee is a guarantee of payment and not of collection. This Limited Guarantee is a primary and original obligation of the Guarantor and is

not merely the creation of a surety relationship, and the Guaranteed Party shall not be required to proceed against Parent, HoldCo or Merger Sub first before proceeding against the Guarantor.

3. Changes in Obligations; Certain Waivers.

(a) The Guarantor agrees that the Guaranteed Party may, subject to the terms and conditions hereof (including the Cap), at any time and from time to time, without notice to or further consent of the Guarantor, extend the time of payment of any portion of the Guaranteed Obligations, and may also enter into any agreement with Parent and/or HoldCo for the extension, renewal, payment, compromise, discharge or release thereof, in whole or in part or for any modification of the terms thereof or any agreement with Parent, HoldCo, or Merger Sub, without in any way impairing or affecting the Guarantor' s obligations under this Limited Guarantee or affecting the validity or enforceability of this Limited Guarantee, in each case in accordance with the Merger Agreement; *provided*, *however*, that nothing contained in this Limited Guarantee is intended to modify or supersede the provisions of the Merger Agreement. Subject to the other terms and conditions set forth herein, the Guarantor agrees that the obligations of the Guarantor hereunder shall not be released or discharged, in whole or in part, or otherwise affected by:

(i) the failure or delay on the part of the Guaranteed Party to assert any claim or demand or to enforce any right or remedy against the Parent Parties, the Guarantor or the Other Guarantors interested in the Transactions, including the Merger;

(ii) any change in the time, place or manner of payment of the Guaranteed Obligations, or any waiver, compromise, consolidation or other amendment or modification of any of the terms or provisions of the Merger Agreement made in accordance with the terms thereof or any agreement evidencing, securing or otherwise executed in connection with any of the Guaranteed Obligations;

(iii) any change in the legal existence, structure or ownership of the Parent Parties or any other person now or hereafter liable with respect to the Guaranteed Obligations;

(iv) except as expressly provided herein, the existence of any claim, set-off or other right which the Guarantor may have at any time against the Parent Parties or the Guaranteed Party, whether in connection with the Guaranteed Obligations or otherwise;

(v) any addition, substitution, legal or equitable discharge or release (in the case of a discharge or release, other than (A) a discharge or release of the Guarantor with respect to the Pro Rata Percentage of the Guaranteed Obligations as a result of payment in full of the Pro Rata Percentage of Guaranteed Obligations in accordance with the terms herein, (B) a full discharge or release of Parent or HoldCo with respect to the Guaranteed Obligations under the Merger

Agreement, or (C) as a result of any claim or set-off against or valid defenses to the payment of the Guaranteed Obligations that would be available to Parent or HoldCo under the Merger Agreement or in respect of a breach by the Guaranteed Party of this Limited Guarantee) of any person now or hereafter liable with respect to any portion of the Guaranteed Obligations;

(vi) any insolvency, bankruptcy, reorganization or other similar proceeding affecting the Parent Parties or any other person now or hereafter liable with respect to the Guaranteed Obligations;

(vii) the adequacy of any means the Guaranteed Party may have of obtaining payment related to the Guaranteed Obligations; or

(viii) any other act or omission that may in any manner or to any extent vary the risk of or to the Guarantor or otherwise operate as a discharge of the Guarantor's Pro Rata Percentage of the Guaranteed Obligations as a matter of law or equity (other than as a result of payment of the Pro Rata Percentage of the Guaranteed Obligations in accordance with the terms herein).

(b) Subject to the Cap, to the fullest extent permitted by applicable Law, the Guarantor hereby expressly waives any and all rights or defenses arising by reason of any applicable Law which would otherwise require any election of remedies by the Guaranteed Party. The Guarantor waives promptness, diligence, notice of the acceptance of this Limited Guarantee and of the Guaranteed Obligations, presentment, demand for payment, notice of non-performance, default, dishonor and protest, notice of any portion of the Guaranteed Obligations incurred and all other notices of any kind (other than notices to any of the Parent Parties pursuant to and expressly required under the Merger Agreement), all defenses which may be available by virtue of any valuation, stay, moratorium Law or other similar applicable Law now or hereafter in effect or right to require the marshalling of assets of, or all suretyship defenses generally available to, any of the Parent Parties or any other person now or hereafter liable with respect to the Guaranteed Obligations. The Guarantor acknowledges that it will receive substantial direct and indirect benefits from the transactions contemplated by the Merger Agreement and that the waivers set forth in this Limited Guarantee are knowingly made in contemplation of such benefits.

(c) To the fullest extent permitted by applicable Law, the Guarantor hereby unconditionally and irrevocably agrees not to exercise any rights that it may now have or hereafter acquire against any of the Parent Parties that arise from the existence, payment, performance, or enforcement of the Guarantor's obligations under or in respect of this Limited Guarantee (subject to the limitations described herein), including any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of the Guaranteed Party against any of the Parent Parties, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including the right to take or receive from any of the Parent Parties, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, unless and until

all amounts payable by the Guarantor under this Limited Guarantee (which in any event shall be subject to the Cap) shall have been paid in full. If any amount shall be paid to the Guarantor in violation of the immediately preceding sentence at any time prior to the payment in full in immediately available funds of all amounts payable by the Guarantor under this Limited Guarantee (which in any event shall be subject to the Cap), such amount shall be received and held in trust for the benefit of the Guaranteed Party, shall be segregated from other property and funds of the Guarantor, and shall forthwith be paid or delivered to the Guaranteed Party in the same form as so received (with any necessary endorsement or assignment) to be credited and applied to all amounts payable by the Guarantor under this Limited Guarantee.

(d) Notwithstanding anything to the contrary contained in this Limited Guarantee or otherwise (including the other provisions of this Section 3), the Guaranteed Party hereby agrees that, (i) to the extent any Guaranteed Obligation is not payable pursuant to, and in accordance with, the Merger Agreement, the Guarantor shall be similarly relieved of its obligation to make payment under this Limited Guarantee for the same obligation for which the Parent Parties were relieved under the Merger Agreement, and (ii) the Guarantor shall have all defenses to the payment of its obligations under this Limited Guarantee (which in any event shall be subject to the Cap) that would be available to any of the Parent Parties under the Merger Agreement with respect to the Guaranteed Obligations.

4. Representations and Warranties.

The Guarantor hereby represents and warrants to the Guaranteed Party that:

(a) it has the requisite power and authority to execute and deliver this Limited Guarantee, to perform its obligations hereunder, and to consummate the transactions contemplated hereby, and is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its formation;

(b) this Limited Guarantee has been duly executed and delivered by it and the execution, delivery and performance of this Limited Guarantee by it and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate or similar action on the part of it, and no other corporate or similar actions or proceedings on the part of it are necessary to authorize this Limited Guarantee or to consummate the transactions contemplated hereby;

(c) assuming due authorization, execution and delivery by the Guaranteed Party, this Limited Guarantee constitutes a legal, valid and binding agreement of it, enforceable against it in accordance with its terms, except as enforcement may be limited by the Bankruptcy and Equity Exception;

(d) except for the applicable requirements of the Exchange Act and Laws of the Cayman Islands, (i) no filing with, and no permit, authorization, consent or approval of, any Governmental Authority is required on the part of it for the execution, delivery and performance of this Limited Guarantee by it or the consummation by it of the

transactions contemplated hereby, and (ii) neither the execution, delivery or performance of this Limited Guarantee by it, nor the consummation by it of the transactions contemplated hereby, nor compliance by it with any of the provisions hereof shall in any material respect (x) conflict with or violate any provision of the organizational documents of it, (y) result in any breach or violation of, or constitute a default (or an event which, with notice or lapse of time or both, would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of a Lien on property or assets of it pursuant to any Contract to which it is a party or by which it or any property or asset of it is bound or affected, in each case which have, or could have, the effect of preventing, impeding or interfering with or adversely affecting the performance by it of its obligations under this Limited Guarantee, or (z) violate any order, writ, injunction, decree, statute, rule or regulation applicable to it or any of its properties or assets;

(e) on the date hereof, there is no Action pending against it or, to the knowledge of it, any other person or, to the knowledge of it, threatened against it or any other person that restricts or prohibits (or, if successful, would restrict or prohibit) the performance by it of its obligations under this Limited Guarantee; and

(f) it has the financial capacity to pay and perform its obligations under this Limited Guarantee, and all funds necessary for it to fulfill its obligations under this Limited Guarantee shall be available to it for so long as this Limited Guarantee shall remain in effect in accordance with Section 5.

5. Continuing Guarantee.

(a) Unless terminated pursuant to this Section 5, this Limited Guarantee may not be revoked or terminated and shall remain in full force and effect and shall be binding on the Guarantor and its successors and permitted assigns until the Guarantor's Pro Rata Percentage of the Guaranteed Obligations (subject to the Cap) have been indefeasibly paid in full. Notwithstanding the foregoing or anything express or implied in this Limited Guarantee or otherwise, this Limited Guarantee shall automatically and immediately terminate and the Guarantor shall have no further obligations under or in connection with this Limited Guarantee as of the earliest to occur of:

(i) the Effective Time;

(ii) the payment by the Guarantor in full to the Guaranteed Party of the Pro Rata Percentage of the Guaranteed Obligations;

(iii) the termination of the Merger Agreement in accordance with its terms by mutual consent of the parties thereto or in other circumstances where the Parent Termination Fee or other payments pursuant to the Merger Agreement is not payable; and

(iv) sixty (60) days following the termination of the Merger Agreement in accordance with its terms under circumstances in which HoldCo would be

obligated to pay the Parent Termination Fee in accordance with the terms of the Merger Agreement, unless the Guaranteed Party shall have asserted a claim in writing for payment of any Parent Termination Fee or Guaranteed Obligation to the Parent Parties or the Guarantor prior to the expiration of such sixty (60)-day period, in which case this Limited Guarantee shall terminate upon the final, non-appealable resolution of such action and satisfaction by the Guarantor of any obligations finally determined or agreed to be owed by the Guarantor, consistent with the terms hereof; provided that Sections 5 through 13 shall survive any termination hereof for so long as any other provision of this Limited Guarantee remains in effect.

(b) Notwithstanding the foregoing, or anything express or implied in this Limited Guarantee or otherwise, in the event that the Guaranteed Party or any of its Affiliates or any of its or their respective directors, managers, general partners, or officers (which, for the purpose of this Limited Guarantee, shall exclude the Guarantor, any Other Guarantor, any Rollover Shareholder, any Management Party and any Affiliate of the foregoing) (collectively, the "**Guaranteed Party Related Parties**" and each, a "**Guaranteed Party Related Party**") asserts in an Action that (A) the provisions of Section 1 limiting the Guarantor's aggregate liability to the Cap, or any other provisions of this Limited Guarantee, are illegal, invalid or unenforceable, in whole or in part, or the Guarantor is liable in respect of any Guaranteed Obligations in excess of or to a greater extent than the Cap, (B) the provisions of the equity commitment letter executed and delivered by the Guarantor to Parent, dated as of the date hereof (the "**Equity Commitment Letter**"), limiting the Guarantor's liability, or any other provisions of the Equity Commitment Letter, are illegal, invalid or unenforceable, in whole or in part, or the Guarantor is liable thereunder in excess of or to a greater extent than its Commitment, or (C) any theory of liability against any Non-Recourse Party (as defined below) with respect to this Limited Guarantee or any other Transaction Document or any of the transactions contemplated hereby or thereby and/or any related matters, other than the Guaranteed Party asserting any Retained Claim (as defined below) against any Non-Recourse Party(ies) against which such Retained Claim may be asserted pursuant to Section 6, then: (x) the obligations of the Guarantor under or in connection with this Limited Guarantee shall terminate *ab initio* and be null and void; (y) if the Guarantor has previously made any payments under or in connection with this Limited Guarantee, the Guarantor shall be entitled to recover and retain such payments; and (z) neither the Guarantor nor any other Non-Recourse Party shall have any liability whatsoever (whether at law or in equity, whether sounding in contract, tort, statute or otherwise) to the Guaranteed Party in any way under or in connection with this Limited Guarantee or any other Transaction Document or any of the transactions contemplated hereby or thereby and/or any related matters. Upon the request of the Guarantor after any valid termination of this Limited Guarantee pursuant to the provisions of this Section 5, the Guaranteed Party shall promptly provide the Guarantor with written confirmation of such termination. For purposes of this Limited Guarantee, the terms "Commitment" and "Other Equity Commitment Letters" each have the meanings ascribed to them in the Equity Commitment Letter.

6. No Recourse; Release. The Guaranteed Party acknowledges the separate legal existence of each of the Parent Parties. The Guaranteed Party acknowledges and agrees that the sole asset of the Parent Parties is cash in a *de minimis* amount and that no additional funds are expected to be contributed to any of the Parent Parties unless and until the Closing occurs under the Merger Agreement. Notwithstanding anything that may be expressed or implied in any Transaction Document or statement made or action taken in connection with, or that otherwise in any manner relates to, the Transactions, including the Merger, or the negotiation, execution, performance or breach of any Transaction Document (this Limited Guarantee, the other Transaction Documents and such agreements, instruments, statements and actions collectively, "**Transaction-Related Matters**" and each, a "**Transaction-Related Matter**"), and notwithstanding any equitable, common law or statutory right or claim that may be available to the Guaranteed Party or any Guaranteed Party Related Party, by its acceptance of the benefits of this Limited Guarantee, the Guaranteed Party covenants, acknowledges and agrees, on behalf of itself and the Guaranteed Party Related Parties, that:

(a) no Non-Recourse Party has or shall have any obligations (whether of an equitable, contractual, tort, statutory or other nature) under, in connection with or in any manner related to any Transaction-Related Matter, other than (i) the Parent Parties' and their respective successors and assigns' obligations under and pursuant to the terms of the Merger Agreement, (ii) the Guarantor's and its successors and assigns' obligations to make a cash payment (subject to the Cap) to the Guaranteed Party under and pursuant to the terms of this Limited Guarantee, or each Other Guarantor's obligations and its respective successors and assigns' obligations to make a cash payment (subject to the applicable cap thereunder) to the Guaranteed Party under and pursuant to the terms of the Other Limited Guarantee of such Other Guarantor, (iii) Parent's obligation to cause the Cash Equity Financing to be funded in accordance with the terms of the Equity Commitment Letter and the Other Equity Commitment Letters, in each case, when and if the conditions thereto have been satisfied, (iv) the Parent Parties' obligations pursuant to Section 6.02(e) of the Merger Agreement to use reasonable best efforts to cause the performance of certain obligations of the Rollover Shareholders under the Support Agreement pursuant to the terms set forth in the Support Agreement, and (v) the Guarantor's and its successors and assigns' obligations to specifically perform its or its successors or assigns' obligations to make an equity contribution to Parent under and pursuant to the terms of the Equity Commitment Letter, or each Other Guarantor's and its successors and assigns' obligations to specifically perform such Other Guarantor's or its successors or assigns' obligations to make an equity contribution to Parent under and pursuant to the terms of the Other Equity Commitment Letter, in each case, when and if the conditions thereto have been satisfied (the claims described in the foregoing clauses (i) through (v) against the persons specified in the applicable clause or any of their respective permitted successors or assigns, collectively, the "**Retained Claims**" and each, a "**Retained Claim**");

(b) no recourse (whether under an equitable, contractual, tort, statutory or other claim or theory) under in connection with or in any manner related to, any Transaction-Related Matter shall be sought or had against (and, without limiting the generality of the foregoing, no liability shall attach to) any Non-Recourse Party, whether through the Parent Parties, or any other person interested in the Transactions, including

the Merger, or otherwise, whether by or through theories of equity, agency, control, instrumentality, alter ego, domination, sham, single business enterprise, piercing the veil, unfairness, undercapitalization, or any other attempt to avoid or disregard the entity form of any Non-Recourse Party, by or through a claim by or on behalf of the Guaranteed Party or any Guaranteed Party Related Party, the Parent Parties or any other person against any Non-Recourse Party, by the enforcement of any assessment, by any legal or equitable proceeding, by virtue of any applicable Law, or otherwise, except, in each case, for the Retained Claims against the relevant person(s) for such Retained Claim as described in Section 6(a); it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on, or otherwise be incurred by any Non-Recourse Party, as such, for any obligation of the Guarantor under this Limited Guarantee or any other Transaction Document or the transactions contemplated hereby and thereby, in respect of any course of conduct, any course of dealing, or any oral representations, warranties, agreements or statements made or alleged to have been made in connection herewith or therewith, or for any claim (whether in contract, tort, statute or otherwise) based on, in respect of, or by reason of, such obligations or the creation thereof; *provided* that the foregoing shall not limit, abridge or otherwise modify any remedies available under the Retained Claims against the relevant person(s) for such Retained Claim as described in Section 6(a); *provided*, further, that, to the extent applicable, in the event the Guarantor (A) consolidates with or merges with any other person and is not the continuing or surviving entity of such consolidation or merger, or (B) transfers or conveys all or a substantial portion of its properties and other assets to any person such that the sum of the Guarantor's remaining net assets plus uncalled capital is less than the Cap as of the time of such transfer, then, and in each such case, the Guaranteed Party may seek recourse, whether by the enforcement of any judgment or assessment, by any legal or equitable proceeding or by virtue of any statute, regulation or other applicable Law, against such continuing or surviving entity or such person, as the case may be, but only if the Guarantor fails to satisfy its payment obligations hereunder and only to the extent of the liability of the Guarantor hereunder; and

(c) The Retained Claims shall be the sole and exclusive remedy (whether at law or in equity, whether sounding in contract, tort, statute or otherwise) of the Guaranteed Party, the Guaranteed Party Related Parties and any person purporting to claim by or through any of them or for the benefit of any of them against any or all of the Non-Recourse Parties, in respect of any claims, liabilities or obligations arising in any way under, in connection with or in any manner related to any Transaction-Related Matter (and a particular Retained Claim may only be brought by the relevant person(s) entitled to benefit from such Retained Claim in accordance with Section 6). To the fullest extent permitted by applicable Law, the Guaranteed Party, on behalf of itself and the Guaranteed Party Related Parties, hereby releases, remises and forever discharges all claims (other than the Retained Claims against the relevant person(s) for such Retained Claim as described in Section 6(a) that the Guaranteed Party or any Guaranteed Party Related Party has had, now has or might in the future have against any Non-Recourse Party arising in any way under, in connection with, or in any manner related to, any Transaction-Related Matter. The Guaranteed Party hereby covenants and agrees that, other than with respect to the Retained Claims against the relevant person(s) for such Retained Claim as described in Section 6(a), it shall not, and it shall use its commercially

reasonable efforts to cause the Guaranteed Party Related Parties not to, institute any proceeding or bring any claim in any way under, in connection with or in any manner related to any Transaction-Related Matter (whether at law or in equity, whether sounding in contract, tort, statute or otherwise) against any Non-Recourse Party. Notwithstanding anything to the contrary contained in this Limited Guarantee or otherwise, no person other than the Guaranteed Party, the Guaranteed Party Related Parties and the Non-Recourse Parties shall have any rights or remedies under, in connection with, or in any manner related to, any Transaction-Related Matter.

For the purposes of this Limited Guarantee, any pursuit of a claim against a person by the Guaranteed Party or any Guaranteed Party Related Party (or any person claiming by, through or on behalf of any of them) shall be deemed to be pursuit of a claim by the Guaranteed Party. A person shall be deemed to have pursued a claim against another person if such first person brings an Action against such second person, adds such second person to an existing Action or otherwise asserts a legal claim of any nature against such second person.

For purposes of this Limited Guarantee, the term "**Non-Recourse Party(ies)**" means, the Guarantor, the Parent Parties, the Other Guarantors and any and all former, current or future direct or indirect holders of any equity, general or limited partnership or limited liability company interests, controlling persons, incorporators, directors, officers, employees, agents, members, managers, management companies, general or limited partners, stockholders, Representatives, assignees or Affiliates of the Guarantor or any of the Parent Parties, or of any of the foregoing.

7. No Assignment. Neither this Limited Guarantee nor any rights, benefits or obligations set forth herein shall be assigned (whether by operation of law, merger, consolidation or otherwise), delegated or otherwise transferred by either party hereto without the consent of the other party hereto; except that the Guarantor may, subject to the terms and conditions set forth in this Limited Guarantee and the Interim Investors Agreement, assign, delegate or otherwise transfer its rights, benefits or obligations set forth herein, including its obligation to pay the Pro Rata Percentage of the Guaranteed Obligations, in whole or in part, without the consent of the Guaranteed Party, to its Affiliate(s) to which it has allocated all or a portion of its commitment to Parent; *provided* that such transferee has certified in writing to the Guaranteed Party prior to such assignment that it is capable of (x) making the representations and warranties set forth in Section 4, and (y) performing all of its obligations hereunder. Any purported assignment, delegation or transfer in violation of this Section 7 shall be null and void and of no force and effect.

8. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given (a) upon actual receipt, if delivered personally, (b) on the next Business Day after deposit with an overnight courier, if sent by an overnight courier, delivery fees prepaid, or (c) upon transmission, if sent by e-mail on a Business Day prior to 5:00 p.m. Hong Kong time (and otherwise on the next Business Day), in each case to the respective parties hereto at the addresses set forth below (or at such other address for a party as shall be specified in a notice given in accordance with this Section 8).

If to the Guaranteed Party:	16/F, Tower A, Fairmont Tower 33 Guangshun North Main Street Chaoyang District, Beijing 100102 People's Republic of China Attention: Yipeng Li Email: liyipeng@yuntongxun.com
with a copy (which shall not constitute notice) to:	Hogan Lovells 11/F, One Pacific Place 88 Queensway Hong Kong Attention: Stephanie Tang, Esq. Email: Stephanie.Tang@hoganlovells.com
If to the Guarantor:	Floor 13, Block B Haidian Culture and Art Building No. 28, Zhongguancun Street, Haidian District, Beijing, China Attention: Wang Yi Email: investmentproject@dmall.com
with a copy (which shall not constitute notice) to:	Skadden, Arps, Slate, Meagher & Flom 42/F, Edinburgh Tower, The Landmark 15 Queen's Road Central, Hong Kong Attention: Paloma Wang / Shu Du, Esq. Email: paloma.wang@skadden.com / shu.du@skadden.com

9. Governing Law; Jurisdiction; Venue.

(a) This Limited Guarantee and all suits, actions or proceedings (whether based on contract, tort or otherwise) arising out of or relating to this Limited Guarantee, any of the transactions contemplated by this Limited Guarantee, or any of the acts or omissions of the Guaranteed Party, the Guarantor or Parent Parties in the negotiation, execution, performance or enforcement hereof or thereof shall be governed by, and construed in accordance with, the Laws of the State of New York, without giving effect to any choice of Law or conflict of Law rules or provisions that would cause the application of the Laws of any jurisdiction other than the State of New York.

(b) Subject to the last sentence of this paragraph, any disputes, actions and proceedings against any party hereto or arising out of or in any way relating to this Limited Guarantee shall be submitted to the Hong Kong International Arbitration Centre ("**HKIAC**") and resolved in accordance with the Arbitration Rules of HKIAC in force at the relevant time and as may be amended by this Section 9(b) (the "**Rules**"). The place of arbitration shall be Hong Kong. The official language of the arbitration shall be English and the tribunal shall consist of three (3) arbitrators (each, an "**Arbitrator**"). The claimant(s), irrespective of number, shall nominate jointly one (1) Arbitrator; the

respondent(s), irrespective of number, shall nominate jointly one (1) Arbitrator; and a third Arbitrator will be nominated jointly by the first two Arbitrators and shall serve as chairman of the arbitration tribunal. In the event the claimant(s) or respondent(s) or the first two Arbitrators shall fail to nominate or agree the joint nomination of an Arbitrator or the third Arbitrator within the time limits specified by the Rules, such Arbitrator shall be appointed promptly by the HKIAC. The arbitration tribunal shall have no authority to award punitive or other punitive-type damages. The award of the arbitration tribunal shall be final and binding upon the disputing parties hereto. Any party hereto to an award may apply to any court of competent jurisdiction for enforcement of such award and, for purposes of the enforcement of such award, the parties hereto irrevocably and unconditionally submit to the jurisdiction of any court of competent jurisdiction and waive any defenses to such enforcement based on lack of personal jurisdiction or inconvenient forum.

10. Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS LIMITED GUARANTEE AND ANY OF THE AGREEMENTS DELIVERED IN CONNECTION HEREWITH OR THE MERGER AND OTHER TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY HERETO CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE EITHER OF SUCH WAIVERS, (B) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVERS, (C) IT MAKES SUCH WAIVERS VOLUNTARILY, AND (D) IT HAS BEEN INDUCED TO ENTER INTO THIS LIMITED GUARANTEE BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.

11. Third Party Beneficiaries. This Limited Guarantee shall be binding upon and inure solely to the benefit of the parties hereto and their respective successors and permitted assigns, and nothing express or implied in this Limited Guarantee is intended to, nor shall, confer upon any other person any benefits, rights or remedies under or by reason of, or any rights to enforce or cause the Guaranteed Party to enforce, the obligations set forth herein, except that as a material aspect of this Limited Guarantee the parties intend that all Non-Recourse Parties other than the Guarantor shall be, and such Non-Recourse Parties are, intended third party beneficiaries of this Limited Guarantee who may rely on and enforce the provisions of this Limited Guarantee that bar the liability, or otherwise protect the interests, of such Non-Recourse Parties.

12. Confidentiality. This Limited Guarantee shall be treated as confidential and is being provided to the Guaranteed Party solely in connection with the Transactions, including the Merger. This Limited Guarantee may not be used, circulated, quoted or otherwise referred to in any document by the Guaranteed Party (other than the Merger Agreement, the Financing Documents, the Interim Investors Agreement, the Support Agreement, the Equity Commitment Letters and the Other Limited Guarantees), by and among the Parent Parties and the other parties thereto) except with the prior written consent of the Guarantor in each instance; *provided* that no

such written consent is required for any disclosure of the existence or content of this Limited Guarantee by the Guaranteed Party: (a) to the extent required by applicable Law, the applicable rules of any securities exchange or in connection with any SEC or stock exchange filings relating to the Transactions, including the Merger (*provided* that, to the extent permitted by applicable Law, the Guaranteed Party will provide the Guarantor an opportunity to review such required disclosure in advance of such disclosure being made), or (b) to any of the Guaranteed Party's Representatives who need to know of the existence or terms of this Limited Guarantee.

13. Miscellaneous.

(a) Together with the Merger Agreement, the Financing Documents, the Interim Investors Agreement, the Support Agreement, the Equity Commitment Letters, the Other Limited Guarantees and the Confidentiality Agreements, this Limited Guarantee constitutes the entire agreement, and supersedes all prior agreements, understandings and statements, written or oral, between the Guarantor or any of its Affiliates, on the one hand, and the Guaranteed Party or any of its Affiliates, on the other, with respect to the transactions contemplated hereby.

(b) No amendment, supplementation, modification or waiver of this Limited Guarantee or any provision hereof shall be enforceable unless approved by each party hereto in writing. No waiver by any party of any provision of this Limited Guarantee or any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be valid unless the same shall be in writing and signed by the party making such waiver, nor shall such waiver be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence. The failure or delay by any party hereto to assert any of its rights hereunder shall not constitute a waiver of such rights. Except as otherwise set forth herein, each and every right, remedy and power hereby granted to each party hereto or permitted by applicable Law shall be cumulative and not exclusive of any other, and may be exercised by such party at any time or from time to time. The Guaranteed Party shall not have any obligation to proceed at any time or in any manner, or exhaust any or all of the Guaranteed Party's rights, against any of the Parent Parties or any other person now or hereafter liable for any Guaranteed Obligations or interested in the Transactions prior to proceeding against the Guarantor, and the failure by the Guaranteed Party to pursue such rights or remedies against any of the Parent Parties shall not relieve the Guarantor of any liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Guaranteed Party under and subject to this Limited Guarantee.

(c) Any term or provision of this Limited Guarantee that is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Limited Guarantee or affecting the validity or enforceability of any of the terms or provisions of this Limited Guarantee in any other jurisdiction. If any provision of this Limited Guarantee is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

(d) The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Limited Guarantee. The following provisions shall be applied wherever appropriate herein: (i) when a reference is made in this Limited Guarantee to a Section such reference shall be to a Section of this Limited Guarantee unless otherwise indicated; (ii) "herein", "hereby", "hereunder", "hereof" and other equivalent words shall refer to this Limited Guarantee as an entirety and not solely to the particular portion of this Limited Guarantee in which any such word is used; (iii) all definitions set forth herein shall be deemed applicable whether the words defined are used herein in the singular or the plural; (iv) wherever used herein, any pronoun or pronouns shall be deemed to include both the singular and plural and to cover all genders; (v) the word "including" or any variation thereof shall mean "including, without limitation"; (vi) the word "extent" in the phrase "to the extent" means the degree to which a subject or other thing extends and such phrase shall not mean simply "if"; and (vi) the symbol "US$" refers to United States Dollars.

(e) All parties hereto acknowledge that each party hereto and its counsel have reviewed this Limited Guarantee and that any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Limited Guarantee.

(f) This Limited Guarantee shall not be effective until it has been executed and delivered by all parties hereto. This Limited Guarantee may be executed in any number of counterparts (including by .pdf delivered via email), each such counterpart when executed being deemed to be an original instrument, and all such counterparts shall together constitute one and the same agreement.

[*Signature pages follow.*]

IN WITNESS WHEREOF, the Guarantor has caused this Limited Guarantee to be executed and delivered as of the date first written above by its officer or representative thereunto duly authorized.

Retail Technology Asia Limited

By: _____
Name: Zhang Feng
Title: Director

IN WITNESS WHEREOF, the Guarantor has caused this Limited Guarantee to be executed and delivered as of the date first written above by its officer or representative thereunto duly authorized.

Cloopen Group Holding Limited

By: _____

Name: Adam ZHAO

Title: Special Committee Chairman for and on behalf of Cloopen Group Holding Limited

INTERIM INVESTORS AGREEMENT

This Interim Investors Agreement (the "**Agreement**") is made as of May 12, 2026 by and among:

(i) Trustbridge Partners VII, L.P., an exempted limited partnership organized under the Laws of the Cayman Islands (the "**Initial Sponsor**");

(ii) Changxun Sun ("**Mr. Sun**" or the "**Management Party**");

(iii) SpringX Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands ("**Parent**");

(iv) AutumnX Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands and a wholly owned subsidiary of Parent ("**HoldCo**");

(v) SummerX Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands and a wholly owned subsidiary of HoldCo ("**Merger Sub**" and together with Parent and HoldCo, the "**Parent Parties**" and each, a "**Parent Party**"); and

(vi) EC Investors (as defined below, and together with the Initial Sponsor, the "**Sponsors**").

Each of the Investors (as defined below), Parent, HoldCo and Merger Sub is referred to herein as a "**Party**" and collectively, the "**Parties**".

RECITALS

WHEREAS, the Initial Sponsor and Cloopen Co., Ltd. executed that certain consortium agreement dated as of December 22, 2025 (the "**Consortium Agreement**"), pursuant to which the parties thereto proposed to undertake an acquisition transaction with respect to Cloopen Group Holding Limited, an exempted company with limited liability incorporated under the Laws of the Cayman Islands (the "**Company**");

WHEREAS, on the date hereof, Parent, HoldCo, Merger Sub and the Company executed and delivered that certain agreement and plan of merger (as may be amended, restated, supplemented or otherwise modified from time to time, the "**Merger Agreement**"), pursuant to which Merger Sub will merge with and into the Company, with the Company continuing as the surviving company and becoming a wholly-owned Subsidiary of HoldCo (the "**Merger**"), upon the terms and subject to the conditions set forth in the Merger Agreement;

WHEREAS, on the date hereof, each Investor or such Investor's applicable Affiliate(s) set forth in the column titled "EC Investor" opposite such Investor's name on Schedule A hereto (each, an "**EC Investor**" and collectively, the "**EC Investors**") executed and delivered a letter agreement to Parent Parties (as may be amended, restated, supplemented or otherwise modified from time to time in accordance with the Merger Agreement, each, an "**Equity Commitment Letter**" and collectively, the "**Equity Commitment Letters**"), pursuant to which each such EC Investor agreed, subject to the terms and conditions set forth therein, to

make an equity investment, in the form of cash in the US$ amount set forth in the column titled "Cash Equity Commitment" opposite such EC Investor's name on Schedule A hereto (with respect to each EC Investor, as may be adjusted from time to time in accordance with this Agreement and the applicable Equity Commitment Letter, such EC Investor's "**Cash Equity Commitment**" and collectively, the "**Cash Equity Commitments**"), directly or indirectly in Parent at or immediately prior to the Closing in connection with the Merger;

WHEREAS, on the date hereof, HoldCo, the Management Party and Supporting Shareholders entered into a support agreement (as may be amended, restated, supplemented or otherwise modified from time to time in accordance with the Merger Agreement, the "**Support Agreement**"), pursuant to which, among other things, each Supporting Shareholder and/or its respective affiliated Management Party, as the case may be, agreed, upon the terms and subject to the conditions set forth therein, (a) to vote the Voting Securities held by such Supporting Shareholder in favor of the authorization and approval of the Merger Agreement, the Plan of Merger, the Post-Closing M&A and the consummation of the Transactions, including the Merger, and (b) to subscribe for or otherwise receive shares of HoldCo at or immediately prior to the Closing in consideration of, and receive no cash consideration for, the cancellation of the Rollover Securities held by Rollover Shareholder in accordance with the terms of the Merger Agreement;

WHEREAS, on the date hereof, each Investor or such Investor's applicable Affiliate(s) set forth in the column titled "Guarantor" opposite such Investor's name on Schedule A hereto (each, a "**Guarantor**" and collectively, the "**Guarantors**") executed and delivered a limited guarantee in favor of the Company (as may be amended, restated, supplemented or otherwise modified from time to time in accordance with the Merger Agreement, each, a "**Limited Guarantee**" and collectively, the "**Limited Guarantees**"), pursuant to which each Guarantor agreed, subject to the terms and conditions set forth therein, to guarantee certain obligations of Parent and HoldCo under the Merger Agreement;

WHEREAS, on the date hereof, China Minsheng Banking Corp., Ltd. Shanghai Pilot Free Trade Zone Branch (中国民生银行股份有限公司上海自贸试验区分行) executed and delivered a debt commitment letter to and in favor of Parent, pursuant to which, subject to the terms and conditions set forth therein, it committed to arrange and underwrite term loan facilities to be made available on the terms of the term sheet in the form attached thereto and related documentation contemplated by such term sheet under which loans will be drawn down by Parent immediately prior to the Closing in connection with the Transactions (such debt commitment letter, together with any alternative or additional debt commitment letters as permitted under the Merger Agreement, the "**Debt Commitment Letter**"; and China Minsheng Banking Corp., Ltd. Shanghai Pilot Free Trade Zone Branch, together with any other alternative or additional financial institutions that may provide such debt financing, collectively, the "**Financing Bank**"); and

WHEREAS, the Parties wish to agree to certain terms and conditions that will govern the actions of Parent Parties and the relationship among the Investors with respect to the Merger Agreement, the Equity Commitment Letters, the Support Agreement and the Limited Guarantees, and the transactions contemplated by each.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound hereby, the Parties hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01 Definitions

Certain terms are used in this Agreement as specifically defined herein. Capitalized terms used herein but not defined shall have the meanings given to them in the Merger Agreement.

"**Action**" means any litigation, hearing, suit, claim, action, proceeding or investigation.

"**Advisors**" means the legal, accounting, banking and other advisors and/or consultants of Parent, any other Party and/or the Parties (or any applicable Affiliate of a Party), as the case may be, appointed in connection with the Transactions.

"**Affiliate**" shall have the meaning ascribed to such term in Rule 12b-2 under the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), including, for the avoidance of doubt, with respect to an Investor, any affiliated investment funds of such Investor or any investment vehicles of such Investor or such funds; *provided*, *however*, that with respect only to the Initial Sponsor and its Affiliates, no portfolio company of the Initial Sponsor nor any of such portfolio company's Affiliates (including any portfolio company of any affiliated investment fund or investment vehicle of the Initial Sponsor or its Affiliates), on the one hand, shall be deemed to be an Affiliate of the Initial Sponsor or its Affiliates, on the other hand, and any investment funds managed or advised by the Initial Sponsor, its general partner, or any of their respective Affiliates shall be deemed to be an Affiliate of the Initial Sponsor; *provided*, *further*, that no Management Party nor any of its Affiliates shall be deemed to be an Affiliate of the Company or any of its Subsidiaries, and vice versa.

"**Backstop Date**" means the date that is the last to occur of (a) the date that is four (4) months after the date hereof, and (b) the earliest date on which all of the Closing Conditions (other than those conditions that by their nature are to be satisfied at the Closing) are satisfied, deemed satisfied or validly waived in accordance with Article VII of the Merger Agreement.

"**beneficial ownership**" by a person of any security includes ownership by any person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise (whether or not in writing), has or shares: (a) voting power which includes the power to vote, or to direct the voting of, such security; and/or (b) investment power which includes the power to dispose, or to direct the disposition, of such security; and shall otherwise be interpreted in accordance with the term "beneficial ownership" as defined in Rule 13d-3 under the Exchange Act; *provided* that, without duplicative counting of the same securities by the same holder, securities beneficially owned by a person will include securities beneficially owned by any Affiliates of such person which are controlled by such person, but no beneficial ownership of securities shall be attributed to securities beneficially owned by any other person(s) solely by virtue of the fact that such first person may be deemed to constitute a "group" within the meaning of Section 13(d) of the Exchange Act with such other person(s). The terms "beneficially own", "beneficially owned" and "beneficial owner" shall have correlative meanings.

"**Commitment**" means, with respect to an Investor, the Cash Equity Commitment of such Investor and/or any applicable EC Investor that is an Affiliate of such Investor and, if

applicable, the Rollover Commitment of the applicable Rollover Shareholder that is an Affiliate of such Investor.

"**Company Securities**" means Shares and other securities of the Company (including any warrants, options and other securities of the Company which are convertible into or exercisable for any Shares or otherwise) issued by the Company.

"**Competing Proposal**" means a proposal, offer or invitation to the Company, any Party or its Affiliates (other than the proposal contemplated by the Consortium Agreement) that involves the acquisition of control of the Company, a sale of all or a substantial part of the assets of the Company, a restructuring or recapitalization of the Company, or some other transaction that would adversely affect, prevent or materially reduce the likelihood of the consummation of the Transactions, in each case, other than the Transactions.

"**Confidential Information**" means all written, oral or other information obtained in confidence by a Party from any other Party in connection with this Agreement or the Transactions, unless such information (a) is already or becomes known to the receiving Party prior to the disclosure thereof by the disclosing Party, (b) is provided to the receiving Party by a third party which is not known by such receiving Party to be bound by a duty of confidentiality to the disclosing Party, (c) is or becomes publicly available other than through a breach of this Agreement by the receiving Party, or (d) is developed independently by or for the receiving Investor without using any Confidential Information.

"**Consortium Transaction Expenses**" means, collectively, the out-of-pocket costs and expenses incurred by or on behalf of the Parties in connection with the Transactions, including the costs and expenses associated with (a) the negotiation, delivery and execution of this Agreement and the other Transaction Documents, (b) any actions taken in accordance with the terms of the Transaction Documents and the Debt Financing, including regulatory filings made or to be made pursuant to the Merger Agreement, and (c) the retention of Joint Advisors. Consortium Transaction Expenses shall exclude, for the avoidance of doubt and subject to the immediately following sentence, any fees, expenses and disbursements of any separate Advisors, unless otherwise agreed to in advance by the Initial Sponsor in writing. Without limiting the generality of the foregoing, the Parties acknowledge and agree that the Consortium Transaction Expenses will also include the out-of-pocket costs and expenses: (i) incurred or payable by the Parties in connection with the evaluation, negotiation, execution and funding of the Debt Financing, including any commitment or other fees charged by the Debt Financing sources and any legal expenses in connection therewith; and (ii) incurred or payable by the Parties in connection with the due diligence with respect to the Company and its business, including Advisors' fees and expenses in connection therewith.

"**Investor**" means each of (i) the Initial Sponsor, (ii) the Management Party, (iii) each Rollover Shareholder, and (iv) each EC Investor; *provided* that, for the avoidance of doubt, (x) a Management Party and/or his applicable Affiliate may simultaneously be a Rollover Shareholder under the Support Agreement and an EC Investor under an applicable Equity Commitment Letter, and in such case, such person's obligations in each such capacity shall be independent and cumulative and shall not be deemed to offset or substitute for one another, and (y) the inclusion of a person in more than one of the foregoing categories shall not result in such person being counted more than once for any purpose under this Agreement unless expressly provided otherwise. The Initial Sponsor, EC Investors, Rollover Shareholders and each Management Party are collectively referred to herein as "**Investors**" and each, an "**Investor**".

"**Joint Advisors**" means any legal, accounting, banking, financial and other advisors and/or consultants that are jointly engaged, terminated or changed by Parent Parties, any other Party and/or the Parties (or any applicable Affiliate of a Party) as determined by the Initial Sponsor, as representatives authorized by the Parties. The Parties acknowledge and agree that Harneys has been jointly appointed as the Cayman Islands legal counsel to the Parties (the "**Consortium Cayman Islands Counsel**") and shall also be treated as a Joint Advisor hereunder.

"**person**" means an individual, corporation, partnership, limited partnership, limited liability company, syndicate, person (including a "person" as defined in Section 13(d)(3) of the Exchange Act), trust, association or entity or government, political subdivision, agency or instrumentality of a government.

"**Representative**" of a person means that person's officers, directors, employees, accountants, counsel, financial advisors, consultants, other advisors, general partners, limited partners and sources or prospective sources of equity or debt financing.

"**Rollover Commitment**" means, with respect to a Rollover Shareholder, the value of such Rollover Shareholder's Rollover Shares and Company Equity Awards, calculated as (a) the product of the number of such Rollover Shareholder's Rollover Shares that will be cancelled pursuant to the Support Agreement and the Per Share Merger Consideration, plus (b) the value of any Company Equity Awards held by such Rollover Shareholder that will be cancelled at the Effective Time in exchange for equity interests of HoldCo, as determined by the Initial Sponsor.

"**Rollover Securities**" shall have the meaning ascribed to such term in the Support Agreement.

"**Rollover Shareholder(s)**" shall have the meaning ascribed to such term in the Support Agreement.

"**Supporting Shareholder(s)**" shall have the meaning ascribed to such term in the Support Agreement.

ARTICLE II
AGREEMENTS AMONG THE INVESTORS

Section 2.01 Actions Under the Merger Agreement

(a) The Initial Sponsor may cause Parent, HoldCo and Merger Sub to take any action or refrain from taking any action in order to comply with their obligations, satisfy their closing conditions or exercise their rights under the Merger Agreement or any other action with respect to the Merger Agreement, including:

(i) determining that the conditions to closing specified in Section 7.01 and Section 7.02 of the Merger Agreement (the "**Closing Conditions**") have been satisfied,

(ii) waiving compliance with any agreement or condition in the Merger Agreement, including any Closing Condition,

(iii) amending or modifying the Merger Agreement, and

(iv) closing the Merger;

provided, *however*, that the Initial Sponsor may not cause Parent, HoldCo or Merger Sub to amend the Merger Agreement in a way that by its terms has an impact, economic or otherwise, on any Investor that is disproportionate to the impact, economic or otherwise, on the other Investors in a manner that is materially adverse to such Investor without such Investor's written consent. Parent, HoldCo and Merger Sub shall not, and the Investors (including the Initial Sponsor) shall not permit Parent, HoldCo or Merger Sub to, determine that the Closing Conditions have been satisfied, waive compliance with any agreement or condition in the Merger Agreement, including any Closing Condition, amend or modify the Merger Agreement or determine to close the Merger unless such action has been approved in advance in writing, after consultation with Mr. Sun in good faith, by the Initial Sponsor in accordance with this Agreement. Parent, HoldCo and Merger Sub agree not to take any action with respect to the Merger Agreement, including granting or withholding any waiver or entering into any amendment, unless such action is taken in accordance with this Agreement.

(b) Notwithstanding anything to the contrary in Section 2.01(a), the Initial Sponsor may, after consultation with Mr. Sun in good faith, subject in all respects to the applicable terms and conditions set forth in the Merger Agreement, (i) solely subsequent to the termination of the Merger Agreement, cause Parent, HoldCo and Merger Sub to initiate litigation or other legal action against the Company in connection with a breach or alleged breach of the Merger Agreement by the Company and to take any other necessary action in connection thereto, or (ii) cause Parent to terminate the Merger Agreement pursuant to Article VIII thereof. Parent, HoldCo and Merger Sub shall not, and the Investors shall not permit Parent, HoldCo and Merger Sub to, take any action specified in the foregoing clauses (i) and (ii) unless such action has been approved in advance in writing by the Initial Sponsor.

Section 2.02 **Participation in Transaction**

(a) Notwithstanding anything to the contrary in this Agreement, Parent, HoldCo and Merger Sub shall not, and the Initial Sponsor shall not permit Parent, HoldCo or Merger Sub to:

(i) modify or amend the Merger Agreement to increase or modify, in a manner materially adverse to Parent, HoldCo, Merger Sub or the Investors, the form or amount of the Merger Consideration (including by waiver of a material breach of the Company's representation and warranty regarding its capitalization) or increase in any way the obligations under the Equity Commitment Letters,

(ii) modify or waive, in a manner materially adverse to Parent, HoldCo, Merger Sub or the Investors, any provisions of the Merger Agreement relating to the Parent Termination Fee or the aggregate cap on monetary damages recoverable by the Company,

(iii) otherwise modify or amend any material terms and conditions of the Transaction Documents, or

(iv) materially modify the structure of the Transactions.

In each case of (i) through (iv) above, except with the prior written consent of the Initial Sponsor and, in each case of (i) and (ii) above, except with the prior written consent of the Initial Sponsor and Mr. Sun.

(b) The Initial Sponsor shall keep the other Investors, or their designated Representative(s) reasonably informed on the status of negotiations with the Company Board and/or the Special Committee with respect to any proposed material amendment to or modification of the Transaction Documents. The Management Party shall have the right, upon reasonable request, to be present at meetings and participate in discussions and other communications with the Company Board and/or the Special Committee with respect to the Transactions, subject to the prior written consent of the Initial Sponsor (which consent shall not be unreasonably withheld).

(c) Subject to Section 2.02(a) and Section 2.02(b), in the event that the Initial Sponsor determines to proceed with any action described in Section 2.02(a)(i) through Section 2.02(a)(iv) and any Investor (a "**Non-Consenting Investor**") declines to provide its consent thereto, the Initial Sponsor may nevertheless proceed with such action by terminating such Non-Consenting Investor's participation in the Transactions pursuant to and in accordance with Section 2.07; *provided* that such termination shall not take effect unless and until such Non-Consenting Investor has received, prior to the effectiveness of such termination, a full and unconditional release of its obligations under:

(i) this Agreement (other than obligations that expressly survive termination pursuant to Section 4.02, and other than with respect to any breach of this Agreement by such Non-Consenting Investor occurring prior to the date of such release);

(ii) its applicable Equity Commitment Letter;

(iii) its applicable Limited Guarantee; and

(iv) the Support Agreement (if applicable),

in each case from each of Parent, HoldCo, Merger Sub and each other Investor, or a mutually satisfactory indemnity in respect thereof.

(d) Upon the termination of a Non-Consenting Investor's participation in the Transactions pursuant to this Section 2.02, the Initial Sponsor may, at its sole discretion, offer the amount of such Non-Consenting Investor's Commitment to one or more remaining Investors and/or one or more new investors, on terms and conditions determined by the Initial Sponsor, *provided* that any such reallocation shall be effected in accordance with Section 2.03(c) and reflected in an updated Schedule A pursuant to Section 2.03(d).

Section 2.03 Commitments; Parent Shares

(a) Each of the Parent Parties shall, at the direction of the Initial Sponsor, enforce or waive (or grant or withhold consents under) the provisions of the Equity Commitment Letters and the Support Agreement in accordance with the respective terms therein and the terms of the Merger Agreement. Each Investor which or whose Affiliate has delivered an Equity Commitment Letter and/or the Support Agreement shall, and shall cause such Investor's applicable Affiliate(s) (if any) to, comply with its and their respective

applicable obligations thereunder; *provided* that no Investor shall have an independent right to enforce or waive (or grant or withhold consents thereunder) any provision in an Equity Commitment Letter or the Support Agreement against an EC Investor or a Rollover Shareholder without the direction from the Initial Sponsor. Notwithstanding anything in any Equity Commitment Letter to the contrary, prior to the Effective Time, none of the EC Investors shall be entitled to assign, sell-down or syndicate any part of its Cash Equity Commitment to any third party without the prior written consent of the Initial Sponsor (which consent shall not relieve such EC Investor of any of its obligations or rights under the applicable Equity Commitment Letter) except for any assignment, sell-down or syndication of all or any part of such EC Investor's Cash Equity Commitment (i) as expressly required under Section 2.03(e), or (ii) subject to the terms of the applicable Equity Commitment Letter, by an EC Investor to any of its Affiliates, or one or more affiliated investment funds or investment vehicles that are advised, managed or sponsored by the general partner or investment manager of the EC Investor or any Affiliate thereof (each, a "**Permitted Syndication**"). Each Investor shall be entitled to receive, in consideration for the Cash Equity Commitment of such Investor and/or any applicable EC Investor that is an Affiliate of such Investor, such type and number of newly issued shares of Parent as determined in accordance with the provision set forth in the column titled "Parent Shares" on Schedule A hereto (such person's "**Parent Shares**"), such Parent Shares to be issued to such Investor and/or any of such Investor's Affiliates as such Investor may designate by reasonably advance written notice to the Initial Sponsor. For the avoidance of doubt, the specific type, number and issuing entity of the Parent Shares to be received by each Investor (and/or its applicable Affiliates) shall be as set forth opposite such Investor's name in the column titled "Parent Shares" on Schedule A hereto, which shall be updated from time to time to reflect any adjustments made in accordance with this Agreement.

(b) Notwithstanding anything to the contrary in this Agreement or any other Transaction Document (including the Equity Commitment Letters), the Initial Sponsor may, at its discretion and from time to time prior to the Closing (including in the event of there being any Failing Investor), adjust the amount of Cash Equity Commitment of any EC Investor on the terms and subject to the conditions set forth in the applicable Equity Commitment Letters, *provided* that the Initial Sponsor may not, pursuant to this Section 2.03(b) or otherwise:

(i) increase the amount of Cash Equity Commitment of any EC Investor without such EC Investor's prior written consent (except as may be required under Section 2.03(e)), or

(ii) effect any such adjustment if such adjustment would, when taken together with all other such adjustments, result in the aggregate amount of Cash Equity Commitments by all EC Investors (including any new investor contemplated under Section 2.03(c) but other than any Failing Investor) to be less than the Required Equity Funding.

For purposes of this Agreement, "**Required Equity Funding**" means the excess, if any, of (x) the sum of the Merger Consideration and any other amount required to be paid in connection with the consummation of the Transactions upon the terms and conditions contemplated by the Merger Agreement and all related fees and expenses associated therewith payable or reasonably expected to be payable by Parent, HoldCo and/or Merger Sub at the Closing, *over* (y) the amount of the Debt Financing and/or the amount of the Alternative Financing, if applicable, funded at the Closing.

(c) In the event that, after all adjustments made pursuant to, if applicable, Section 2.03(b) and/or Section 2.03(e), the aggregate amount of Cash Equity Commitments by all EC Investors (other than any Failing Investor) is less than the Required Equity Funding, then the Initial Sponsor may, at its discretion, offer to any EC Investor (other than any Failing Investor) or any new investor(s), the opportunity to provide additional cash equity commitments and/or, in the case of new investor(s), equity rollovers, and in such manner as may be determined by the Initial Sponsor, provided that any such additional cash equity commitment and/or equity rollover shall be on terms and conditions substantially the same as the terms and conditions of the existing Cash Equity Commitment or Rollover Commitment, as applicable, and the amounts of Cash Equity Commitment of any such EC Investor that provides additional cash equity commitments pursuant to the foregoing shall be adjusted accordingly. For the avoidance of doubt, nothing in this Agreement shall obligate any EC Investor to provide any cash equity commitment in addition to its Cash Equity Commitment or any Investor to provide any additional cash equity commitment except in each case as required under, if applicable, Section 2.03(d) or Section 2.03(e).

(d) In the event of any adjustment made pursuant to, if applicable, Section 2.03(b) and/or Section 2.03(e), Parent shall notify each other Party promptly in writing of such adjustment to the amount of Cash Equity Commitment of any Investors, such notice to be accompanied by an updated Schedule A reflecting the effects of such adjustments, whereupon such adjustments (including the updated Schedule A) shall be deemed final and binding on all Parties, and each Party shall take all actions reasonably requested by the Initial Sponsor (including, to the extent permitted by the Merger Agreement, amending the relevant Equity Commitment Letters and any other applicable Transaction Document) to give full force and effect to such adjustments.

(e) Each Investor shall, and shall cause any Investor that is an Affiliate of such Investor (if applicable) to, use reasonable best efforts to obtain and keep in full effect any ODI Approvals required in connection with the funding of its Commitment. Notwithstanding anything to the contrary in this Agreement or any other Transaction Document (including the Equity Commitment Letters), in the event that:

(i) any EC Investor fails to obtain on or before, and keep in full effect as of, the Backstop Date the necessary ODI Approvals for the full funding of such EC Investor's applicable Cash Equity Commitment or otherwise in order to perform its, his or her obligations under the applicable Equity Commitment Letter as and when required thereunder, and

(ii) such failure results in the aggregate amount of Cash Equity Commitments by all EC Investors other than such person to be less than the Required Equity Funding (such resulting shortfall amount, the "**ODI Investor Shortfall**"),

then the applicable Investor of which such EC Investor is an Affiliate shall, and/or shall cause any of its Affiliates to, unless otherwise determined by the Initial Sponsor, provide additional cash equity commitment(s) that are not subject to or conditional on obtaining and keeping in full effect any ODI Approval, in an amount equal to such ODI Investor Shortfall in order to fund in full the Required Equity Funding, on the same terms and conditions set forth in the Equity Commitment Letter of the applicable EC Investor (except in respect of the amount of such person's Cash Equity Commitment, which shall be adjusted in

accordance with this Section 2.03(e)), no later than five (5) Business Days following the Backstop Date.

Section 2.04 Limited Guarantees

The Investors shall cooperate in defending any claim that the Guarantors are or any of them is liable to make payments under the Limited Guarantees. Each Investor that is a Guarantor shall, and each Investor shall cause each of its Affiliates that is a Guarantor (if any) to, contribute to the amount paid or payable by other Guarantors in respect of the Limited Guarantees (other than any such payment made by a Guarantor solely arising from such Guarantor's breach of its obligations under such Guarantor's Limited Guarantee, which amounts shall not be subject to this Section 2.04 and instead shall be subject to Section 2.09(c)) so that each Guarantor will have paid an amount equal to the product of the aggregate amount paid under all of the Limited Guarantees multiplied by a fraction of which the numerator is such Guarantor's Cap (as defined in such Guarantor's Limited Guarantee) and the denominator is the sum of all Guarantors' Caps (such fraction, expressed as a percentage, such Guarantor's "**LG Percentage**") on the terms and subject to the conditions set forth in such Guarantor's Limited Guarantee.

Section 2.05 Debt Financing

(a) Parent shall, at the direction of the Initial Sponsor, negotiate, enter into and borrow under the definitive documentation relating to the Debt Financing. In order to facilitate the foregoing, the Parties agree to authorize and delegate to the Initial Sponsor the sole and exclusive responsibility, on behalf of Parent Parties and the Investors, for negotiating the terms and conditions of the definitive documentation relating to the Debt Financing consistent with the terms and conditions of the Debt Commitment Letter. Subject and without prejudice to the foregoing, Parent, HoldCo and Merger Sub shall not, and the Investors shall not permit Parent, HoldCo or Merger Sub to, enter into or borrow under any agreement in connection with Debt Financing on terms and conditions that are materially adverse to Parent, HoldCo, Merger Sub or the Investors compared to the terms and conditions set out in the Debt Commitment Letter, unless such agreement or borrowing has been approved by the Initial Sponsor. The Investors shall work together and cooperate in good faith in connection with arranging and negotiating the full documentation relating to the Debt Financing. Each Investor shall provide such assistance in connection with arranging and negotiating the full documentation relating to the Debt Financing as may be requested by the Initial Sponsor. The Initial Sponsor shall keep each Party or his/its designated Representative(s) reasonably informed on the status of material developments with respect to the Debt Financing.

(b) To the extent legally permissible, each Investor shall:

(i) furnish the Financing Bank, as promptly as reasonably practicable, with financial and know-your-client information and execute and deliver such financing documents, certificates and other supporting documentation as are reasonably or customarily requested by the Financing Bank in connection with the Debt Financing, subject to appropriate confidentiality undertakings satisfactory to such Investor, and

(ii) take all corporate or other actions reasonably requested by the Financing Bank to facilitate the evaluation, negotiation, execution and

consummation of the Debt Financing, including facilitating the pledging of collateral and, in connection therewith, executing and delivering customary pledge and security documents, other definitive financing documents or certificates, or other documents as may be reasonably requested by the Financing Bank.

(iii) in addition, each Investor shall use reasonable best efforts, to the extent legally permissible, to furnish the Financing Bank with information reasonably or customarily requested (and in such Investor's possession) by the Financing Bank regarding the financial condition, business, operations and assets of the Company, in order for the Financing Bank to evaluate the Company and the terms of the Debt Financing. Each Investor further agrees to reasonably assist in providing information required for the preparation of materials for the Financing Bank, including information memoranda and similar documents required in connection with the Debt Financing.

(c) For the avoidance of doubt, nothing in this Section 2.05 shall be construed to create any obligation on the part of any Investor to personally pledge any collateral or provide any personal guarantee in connection with the Debt Financing, and the obligations of any Investor under Section 2.05(b) shall be subject to:

(i) approval by the Initial Sponsor of the material terms and conditions of the Debt Financing to the extent such approval is required under Section 2.05(a),

(ii) the terms and conditions of the Confidentiality Agreements and the Merger Agreement (including any limitations or other requirements that may be imposed by the Company Board or the Special Committee pursuant thereto), and

(iii) with respect to any Investor who is a director or officer of the Company, such Investor's fiduciary duties, obligations of confidentiality and other obligations to the Company.

Section 2.06 Shareholders Agreement

(a) Each Investor agrees to negotiate in good faith with the other Investors with respect to, and enter into (and/or cause its applicable Affiliate(s)) concurrently with the Closing, a Shareholders Agreement or other definitive agreements containing, customary terms including (and that are, subject to changes approved by the Initial Sponsor, consistent with) the terms set forth on Schedule B hereto; *provided*, *however*, that no Investor is under any obligation to agree to any change to such terms that is materially adverse to such Investor without such Investor's written consent. Parent Parties and each Investor hereby agree to take (or cause to be taken) all actions, if any, required to be taken by each, such that the boards of directors of Parent Parties have the composition contemplated by Schedule B hereto at the Closing. In the event that the Investors are unable to agree on the terms of the Shareholders Agreement, the terms set forth on Schedule B hereto shall govern with respect to the matters set forth therein following the Closing and until such time as the Investors (and/or their respective applicable Affiliate(s)) enter into a Shareholders Agreement or other definitive agreements.

(b) Any Investor other than the Initial Sponsor that becomes a Failing Investor whose participation in the Transactions has been terminated and whose consent rights have not been restored, in each case pursuant to and in accordance with Section 2.07, shall (x) cause any person that it or he has designated as a director to a Board to resign from such position (if applicable), (y) sell any equity interests it or he holds in Parent, HoldCo or Merger Sub to such entity for nominal consideration, and (z) automatically cease to have any control or governance rights, or any decision making authority, with respect to Parent, HoldCo or Merger Sub.

Section 2.07 Consummation of the Transactions

(a) In the event that the Closing Conditions are satisfied or validly waived (subject to the requirements in Section 2.01 and Section 2.02) and the Initial Sponsor determines to close the Merger, the Initial Sponsor may immediately terminate the participation in the Transactions of any Investor that does not (or whose Affiliate does not) fulfill its Commitment or that asserts (or whose Affiliate asserts) in writing its or its Affiliate's unwillingness to fulfill its Commitment (such Investor, a "**Failing Investor**"), in each case by providing written notice of such termination to such Failing Investor; *provided*, that any such termination shall not affect the rights of Parent, HoldCo, Merger Sub or the Closing Investors against such Failing Investor or its Affiliates, as applicable, with respect to its failure or declination to fulfill its Commitment, which rights shall be as provided in Section 4.05 and Section 4.06 (in addition and without prejudice to any rights of Parent, HoldCo, Merger Sub or the Closing Investors pursuant to any other agreement).

(b) Notwithstanding anything to the contrary contained herein, from and after the time an Investor becomes a Failing Investor, the approval or consent of such Failing Investor shall not be required for any purposes under this Agreement; provided that any Failing Investor that participates in the Transactions as a result of the Closing Investors exercising their rights to seek specific performance pursuant to Section 4.05 shall no longer be deemed a Failing Investor and his, her or its approval or consent rights shall be restored, in each case as of the date such Failing Investor and its applicable Affiliates fulfill their Commitment in full, *provided* further that:

(i) in no event shall any such fulfillment of Commitment occur later than five (5) Business Days prior to the anticipated Closing Date as notified by Parent Parties, and

(ii) the restoration of such Failing Investor's status as a Closing Investor shall not relieve such Failing Investor of any liability for losses, costs, damages or expenses (including any additional fees or costs arising from any delay in the consummation of the Transactions) suffered or incurred by Parent, HoldCo, Merger Sub or any other Closing Investor or their respective Affiliates during the period from the time such Investor became a Failing Investor to the time such Investor's Commitment is fulfilled in full.

Section 2.08 Termination Fee and Expenses

(a) Any Company Termination Fee paid by the Company or any of its Affiliates pursuant to Section 8.06(a) of the Merger Agreement and any interest accrued on any unpaid Company Termination Fee pursuant to Section 8.06(d) of the Merger Agreement or otherwise, after making adequate provisions for the payment or reimbursement of

Consortium Transaction Expenses pursuant to Section 2.09, shall be promptly paid by Parent, HoldCo or Merger Sub to the Guarantors (other than any Guarantor that is or whose Affiliate is a Failing Investor at the time of termination of the Merger Agreement) or their respective designees in proportion of their respective LG Percentages, determined by excluding the Cap of each Guarantor who is or whose applicable Affiliate is a Failing Investor (if any).

(b) In the event that the Parent Termination Fee becomes due and payable by HoldCo pursuant to Section 8.06(b) of the Merger Agreement:

(i) each Guarantor shall, in accordance with the terms of its respective Limited Guarantee and this Agreement, be responsible for its proportionate share of such Parent Termination Fee in accordance with its LG Percentage; *provided* that the aggregate liability of all Guarantors in respect of the Parent Termination Fee shall not exceed the sum of all Guarantors' Caps under their respective Limited Guarantees; and

(ii) any amounts paid by a Guarantor in respect of the Parent Termination Fee pursuant to Section 8.06(b) of the Merger Agreement or in respect of costs and expenses pursuant to Section 6.07(f) and Section 8.06(d) of the Merger Agreement shall be shared among the Guarantors in accordance with their respective LG Percentages, determined by excluding the Cap of each Guarantor who is or whose applicable Affiliate is a Failing Investor or a Responsible Investor (as defined below) at the time of termination of the Merger Agreement. To the extent any Guarantor pays an amount in excess of its LG Percentage of the aggregate amount paid under all Limited Guarantees, the other Guarantors shall promptly reimburse such Guarantor for such excess amount so that each Guarantor bears only its LG Percentage of the total amount paid;

(iii) for the avoidance of doubt, any Guarantor that is or whose applicable Affiliate is a Failing Investor at the time of termination of the Merger Agreement shall remain solely liable for any amounts payable under its Limited Guarantee arising from its own breach of obligations thereunder, and such amounts shall not be subject to the sharing mechanism set forth in this Section 2.08(b) but shall instead be subject to Section 2.09(c); and

(iv) Notwithstanding the foregoing (i) through (iii), if the Parent Termination Fee becomes due and payable to the extent resulting from (A) fraud or a material breach by any Investor (or its applicable Affiliate) of its obligations under this Agreement or any other Transaction Document, or (B) any material inaccuracy in, or breach of, the Company's representations, warranties or covenants under the Merger Agreement (regardless of whether the Company is relieved from liability for such inaccuracy or breach under the Merger Agreement by reason of the knowledge of any Investor or its applicable Affiliate) involving fraud or the deliberate concealment of material facts (including any deliberate failure to disclose material information to the other Investors) by any Investor (or its applicable Affiliate) (such Investor, a "**Responsible Investor**"), then such Responsible Investor shall be responsible for the full amount of such Parent Termination Fee and any amounts payable in respect of costs and expenses pursuant to the Merger Agreement. Such amounts shall not be subject to the sharing mechanism set forth in this Section

2.08(b), and the Responsible Investor shall promptly reimburse Parent, HoldCo and the Guarantors for any such payments made by them.

Section 2.09 Expense Sharing

(a) Upon consummation of the Transactions and from time to time thereafter, Parent Parties shall and/or shall cause the Company to reimburse the Investors, the EC Investors, the Rollover Shareholders and the Guarantors for, or pay on behalf of such persons, as the case may be, the Consortium Transaction Expenses and the costs and expenses associated with the retention of the Advisors who were retained by Mr. Sun and/or his Affiliates (it being understood that King & Wood is counsel to Mr. Sun).

(b) If the Merger Agreement is terminated prior to the Closing (and Section 2.09(c) does not apply), the Investors agree to share the Consortium Transaction Expenses incurred in connection with the Transactions in proportion to their respective LG Percentages or as may otherwise be agreed by the Investors. For the avoidance of doubt, any Investor whose participation in the Transactions has been terminated pursuant to Section 2.07 shall remain responsible for its pro rata share of Consortium Transaction Expenses incurred prior to the date of such termination.

(c) If the failure of the Transactions to be consummated prior to termination of the Merger Agreement results from the breach by one or more Investors of this Agreement, any Equity Commitment Letter or the Support Agreement by one or more Investors (or his, her or its applicable Affiliates), then such breaching Investor or Investors shall be liable to pay the full amount of the Consortium Transaction Expenses and reimburse Parent, HoldCo, Merger Sub, each non-breaching Investor and its applicable Affiliates (other than the Company and its Subsidiaries), as the case may be, for the Parent Termination Fee to the extent paid by HoldCo pursuant to Section 8.06(b) of the Merger Agreement, any interest accrued on any unpaid Parent Termination Fee pursuant to Section 8.06(d) of the Merger Agreement, any payment obligations of Parent pursuant to Section 6.07(f) of the Merger Agreement and all of their other out-of-pocket costs and expenses (including any amounts payable by the Guarantors in respect of the Limited Guarantees) incurred in connection with the Transactions, including the reasonable fees, expenses and disbursements of Advisors, without prejudice to any claims, rights and remedies otherwise available to such non-breaching Investor and its Affiliates.

(d) In the event and at any time that any amount is due and payable to a Party by another Party or the Surviving Company pursuant to this Section 2.09, then the Party to which such amount is payable shall be entitled to demand payment of such amount by written notice to such other Party or the Surviving Company. Promptly upon (and in any event within fifteen (15) Business Days after) delivery of such demand notice, such other Party shall, and/or Parent shall cause the Surviving Company to, as applicable, pay or cause to be paid such amount in full to the demanding Party.

(e) The obligations under this Section 2.09 shall remain in full force and effect whether or not the Merger is consummated, and shall survive the termination of the other terms of this Agreement in accordance with Section 4.02.

Section 2.10 Notice of Closing; Notices

(a) Parent Parties will use their commercially reasonable efforts to provide each Investor with at least five (5) days' prior notice of the Closing Date under the Merger Agreement; *provided* that the failure to provide such notice will not relieve an Investor or its Affiliates of their obligations under this Agreement, the applicable Equity Commitment Letters, the applicable Limited Guarantees or the Support Agreement, as applicable. Any notices received by Parent pursuant to Section 9.02 of the Merger Agreement shall be promptly provided by Parent to each Investor by electronic mail at the address set forth in such Investor's (or its Affiliates') Equity Commitment Letters or the Support Agreement.

(b) All other notices and communications hereunder shall be in writing and shall be deemed to have been duly given (i) upon actual receipt, if delivered personally, (ii) on the next Business Day after deposit with an overnight courier, if sent by an overnight courier, delivery fees prepaid, or (iii) upon transmission, if sent by e-mail on a Business Day prior to 5:00 p.m. Hong Kong time (and otherwise on the next Business Day), in each case to the respective Parties at the addresses as set forth on Schedule C hereto under each Party's name (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 2.10(b)).

Section 2.11 Representations and Warranties; Covenants

Each Party hereby, severally and not jointly, makes the following representations, warranties and covenants as of the date of this Agreement and the Effective Time only and shall not be construed as a covenant or ongoing obligation following the termination of the Merger Agreement pursuant to Article VIII thereof:

(a) Each Investor hereby represents, warrants and covenants to the other Investors that: (i) it has the requisite power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby, (ii) this Agreement has been duly executed and delivered by it and, if it is not a natural person, the execution, delivery and performance of this Agreement by it and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate or similar action on the part of it, and no other corporate or similar actions or proceedings on part of it are necessary to authorize this Agreement or to consummate the transactions contemplated hereby, (iii) assuming due authorization, execution and delivery by Parent, HoldCo and Merger Sub, this Agreement constitutes a legal, valid and binding agreement of such Investor, enforceable against it in accordance with the terms hereof, except as enforcement may be limited by the Bankruptcy and Equity Exception, (iv) its execution, delivery and performance of this Agreement will not violate: (A) if it is a corporate entity, any provision of its organizational documents or (B) any order, writ, injunction, decree or statute, or any rule or regulation, applicable to it, and (v) on the date hereof, there is no Action pending against it or, to its knowledge, any other person or, to its knowledge, threatened against it or any other person that restricts or prohibits (or, if successful, would restrict or prohibit) the performance by it of its obligations under this Agreement.

(b) Each Investor hereby represents, warrants and covenants to the other Investors that none of the information supplied in writing by such Investor specifically for inclusion or incorporation by reference in the Proxy Statement or the Schedule 13E-3 will cause a breach of the representations and warranties or covenants of Parent, HoldCo or Merger Sub set forth in Section 4.04 and Section 6.01 of the Merger Agreement.

(c) Each Investor hereby represents, warrants and covenants to the other Investors that it has not entered into any agreement, arrangement or understanding with any other Investor, any other potential investor, group of investors, or the Company with respect to the subject matter of this Agreement and the Merger Agreement, other than the Consortium Agreement, the Confidentiality Agreements, the agreements expressly contemplated by this Agreement (including any schedules hereto) and the Merger Agreement or a Permitted Syndication.

(d) Each of Parent, HoldCo and Merger Sub hereby represents and warrants to each Investor that it was formed solely for the purpose of engaging in the Transactions and has not conducted any business prior to the date hereof, and has no, and prior to the Effective Time will have no, assets, liabilities or obligations of any nature other than pursuant to the Debt Commitment Letter or definitive documentation relating to the Debt Financing and those incident to its formation and capitalization pursuant to the Merger Agreement and the Transactions. Each Investor hereby represents, warrants and covenants to the other Investors that it has not, and prior to the Effective Time will not, cause Parent, HoldCo or Merger Sub to take any action inconsistent with the representations and warranties of Parent, HoldCo and Merger Sub in this Section 2.11(d).

(e) Each of Parent, HoldCo and Merger Sub hereby represents, warrants and covenants to each Investor that it has not entered, and prior to the Closing will not enter, into any agreement, arrangement or understanding of any kind with any person that grants a person: (i) the right to purchase a different class of security than that being purchased by the Investors or their Affiliates in accordance with the terms of the Equity Commitment Letters and the Support Agreement, (ii) the right to purchase the same class of security as that being purchased by the Investors or their Affiliates in accordance with the Equity Commitment Letters and the Support Agreement, but at a lower price than pursuant thereto, or (iii) any other right not provided to such person herein, except, in all cases, agreements or arrangements entered into by Parent, HoldCo or Merger Sub with the prior written consent of the Initial Sponsor.

(f) Each Investor hereby represents, warrants and covenants to each other Investor, Parent, HoldCo and Merger Sub that such Investor is either (i) not a "U.S. Person" as defined in Rule 902 of Regulation S of the Securities Act, or (ii) an "accredited investor" within the meaning of Rule 501(a) under Regulation D of the Securities Act.

Section 2.12 PR Coordination

(a) No announcements or other public statement regarding the subject matter of this Agreement shall be issued or made by any Party without the prior written consent of the Initial Sponsor, which consent shall not be unreasonably withheld, delayed or conditioned, except to the extent that any such announcements or statements are required by applicable Law, a court of competent jurisdiction, a regulatory body or securities exchange, and then only after the form and terms of such announcements or statements have been notified to the Initial Sponsor and the Initial Sponsor has had a reasonable opportunity to comment thereon, in each case to the extent reasonably practicable.

(b) Notwithstanding the foregoing, each Investor may make any Schedule 13D filings, or amendments thereto, in respect of the Company that such Investor reasonably believes is required under applicable Law without the prior written consent of the other Parties, *provided* that each such Investor shall coordinate with the other Investors in good

faith regarding the content and timing of such filings or amendments in connection with the Transactions, and in any event, such disclosing Party shall disclose only the minimum amount of Confidential Information required by such applicable Laws or rules and regulations.

Section 2.13 Confidentiality

Except as permitted under this Section 2.13 or Section 2.14, each Party shall not, and shall direct his, her or its Affiliates and the Representatives of the foregoing not to, disclose any Confidential Information obtained from a disclosing Party without the prior written consent of such disclosing Party; *provided* that such receiving Party may disclose any Confidential Information to persons in connection with a Permitted Syndication and to any of his, her or its Affiliates and any of the Representatives of the foregoing who, in each case, (prior to such disclosure) have agreed with such receiving Party to maintain the confidentiality of such Confidential Information as set out herein or are otherwise bound by applicable Law or rules of professional conduct to keep such information confidential. Each Party shall not and shall direct his, her or its Affiliates and the Representatives of the foregoing to whom Confidential Information is disclosed not to, use any Confidential Information for any purpose other than exclusively for the purposes of this Agreement or the Transactions.

Section 2.14 Permitted Disclosures

A Party may make disclosures of Confidential Information:

(a) if required by applicable Laws or the rules and regulations of any securities exchange or Governmental Authority of competent jurisdiction over such Party, but only after the form and terms of such disclosure have been notified to the Initial Sponsor, and the Initial Sponsor has had a reasonable opportunity to comment thereon, in each case to the extent legally permissible and reasonably practicable, and in any event, such disclosing Party shall disclose only the minimum amount of Confidential Information required by such applicable Laws or rules and regulations; or

(b) if the information is publicly available other than through no act or omission of such Party, any of his, her or its Affiliates or any of the Representatives of the foregoing.

Section 2.15 Approvals

(a) Subject in all respects to the limitations in the Merger Agreement, each Party shall use reasonable best efforts and provide all cooperation as may be requested by the Initial Sponsor to obtain all applicable governmental, statutory, regulatory or other approvals, licenses, waivers or exemptions required or, in the reasonable opinion of the Initial Sponsor, desirable for the consummation of the Transactions.

(b) The Management Party shall use reasonable efforts, and shall cause his respective Affiliates (if applicable) to use reasonable efforts, to complete, prior to the Closing, all necessary reporting, filing, registration, notification or similar procedures required to be completed by such persons under SAFE Circular 37 in connection with the consummation of the Transactions.

Section 2.16 Required Information

(a) Each Investor, on behalf of itself and its Affiliates, agrees to promptly provide to Parent Parties (consistent with the timing required by the Merger Agreement or applicable Law, as applicable) any information about such Investor (or its Affiliates) that Parent Parties (at the direction of the Initial Sponsor) reasonably determines upon the advice of outside legal counsel is required to be included in (x) the Proxy Statement, (y) the Schedule 13E-3 or (z) any other filing or notification with any Governmental Authority in connection with the Transactions, including the Merger, this Agreement, the Equity Commitment Letters, the Limited Guarantees, the Support Agreement or any other agreement or arrangement to which it (or any of its Affiliates) is a party relating to the Transactions, *provided* that any Investor who is a director or officer of the Company shall not be obligated to provide any information in breach of any of such Investor's fiduciary duties, obligations of confidentiality or other obligations to the Company. Each Investor shall reasonably cooperate with Parent Parties in connection with the preparation of the foregoing documents to the extent such documents relate to such Investor (or any of its Affiliates).

(b) Each Investor agrees to permit the Company to publish and disclose in the Proxy Statement (including all documents filed with the SEC in accordance therewith), its and its respective Affiliates' identity and beneficial ownership of the Shares, ADSs or other equity securities of the Company and the nature of such person's commitments, arrangements and understandings under this Agreement, the Equity Commitment Letters, the Limited Guarantees, the Support Agreement or any other agreement or arrangement to which it (or any of its Affiliates) is a party relating to the Transactions (including a copy thereof), to the extent required by applicable Law or the SEC (or its staff).

(c) Each Investor hereby represents and warrants to Parent Parties and the Initial Sponsor as to itself and its Affiliates, as applicable, that, solely with respect to any information supplied by such Investor or its Affiliates in writing pursuant to this Section 2.16, none of such information contained or incorporated by reference in the Proxy Statement will at the time of the mailing of the Proxy Statement to the shareholders of the Company, at the time of the Shareholders' Meeting, or at the time of any amendments thereof or supplements thereto, and none of such information supplied or to be supplied by such Investor or its Affiliates for inclusion or incorporation by reference in the Schedule 13E-3 to be filed with the SEC concurrently with each filing of the Proxy Statement will, at the time of such filing with the SEC, or at the time of filing with the SEC of any amendments thereof or supplements thereto, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(d) If required under applicable Law or requested by applicable Governmental Authorities following the time that all of the relevant facts and circumstances of the involvement of an Investor (and its Affiliates) in the Transactions are provided to such Governmental Authorities and such Investor has had a reasonable amount of time (taking into consideration the status of the applicable Governmental Authority's clearance of other related documents and filings relating to the Transactions, such as the Proxy Statement) to present and explain its positions with the applicable Governmental Authority, such Investor agrees to join (and to cause its Affiliates to join) as a filing party to any Schedule 13E-3 filing discussed in the preceding sentence.

Section 2.17 Exchange Act Reporting

Each Investor shall reasonably coordinate with the other Investors with respect to (a) the acquisitions or dispositions of beneficial ownership of Company Securities or (b) any other action that may trigger any other Investor's obligation to make an initial filing of, or any amendment to, its statements of beneficial ownership of Company Securities under the Exchange Act, in each case of clauses (a) and (b) in order to facilitate the other Investors' compliance with Regulation 13D-G under the Exchange Act. Unless otherwise agreed by the Initial Sponsor, none of the Parties shall commission a report, opinion or appraisal (within the meaning of Item 1015 of Regulation M-A of the Exchange Act) with respect to the Company or the Transactions.

ARTICLE III
EXCLUSIVITY

Section 3.01 Exclusivity

From and after the date hereof until the earlier of the Effective Time and the termination of the Merger Agreement pursuant to Article VIII thereof, each Party:

(a) shall and shall cause such Party's respective Affiliates and Representatives to, work exclusively with the other Parties to implement the Transactions;

(b) shall not, without the written consent of the Initial Sponsor, directly or indirectly, either alone or with or through any of such Party's Affiliates or Representatives:

(i) make a Competing Proposal or join with, or invite, any other person to be involved in the making of any Competing Proposal (including through any rollover investment therein);

(ii) provide any information to any third party with a view to the third party or any other person pursuing or considering to pursue a Competing Proposal;

(iii) finance or offer to finance any Competing Proposal, including by offering any equity or debt financing, or contribution of Shares or provision of a voting agreement, in support of any Competing Proposal;

(iv) enter into any written or oral agreement, arrangement or understanding (whether legally binding or not) regarding, or do, anything which is directly inconsistent with the Transactions;

(v) acquire (other than pursuant to share incentive plans of the Company or the exercise of options) or dispose of any Company Securities, or directly or indirectly (A) sell, offer to sell, give, pledge, encumber, assign, grant any option for the sale of or otherwise transfer or dispose of, or enter into any agreement, arrangement or understanding to sell or otherwise transfer or dispose of, an interest in any Company Securities ("**Transfer**") or permit the Transfer by any of their respective Affiliates of an interest in any Company Securities, in each case, except as expressly contemplated under this Agreement and the other Transaction Documents, (B) enter into any contract,

option or other arrangement or understanding with respect to a Transfer or limitation on voting rights of any of the Company Securities, or any right, title or interest thereto or therein, or (C) deposit any Company Securities into a voting trust or grant any proxies or enter into a voting agreement, power of attorney or voting trust with respect to any Company Securities;

(vi) take any action that would or would reasonably be expected to have the effect of preventing, disabling or delaying such Party from performing its obligations under this Agreement; or

(vii) solicit, encourage, facilitate, induce or enter into any negotiation, discussion, agreement or understanding (whether or not in writing and whether or not legally binding) with any other person regarding the matters described in Section 3.01(a) or this Section 3.01(b);

(c) shall immediately cease and terminate, and cause to be ceased and terminated, all existing activities, discussions, conversations, negotiations and other communications (whether conducted by such Party or any of such Party's Affiliates or Representatives) with all persons conducted heretofore with respect to a Competing Proposal; and

(d) shall notify the other Parties promptly if such Party or any of such Party's Affiliates or Representatives receives any approach or communication with respect to any Competing Proposal and shall promptly disclose to the other Parties the identity of any other person involved and the nature and content of the approach or communication, and promptly provide the other Parties with copies of any such written Competing Proposal.

Section 3.02 Additional Covenant

From and after the date hereof until the earlier of the Effective Time and the termination of the Merger Agreement pursuant to Article VIII thereof, the Management Party shall (solely in his capacity as a beneficial owner of Rollover Shares), and shall cause any of his Affiliates that hold Rollover Shares to, vote or cause to be voted at any shareholders' meeting of the Company, whether on a show of hands or a poll and whether in person or by proxy, or deliver, or cause to be delivered, a written consent covering, all of its Rollover Shares, against any Competing Transaction or any other transaction, proposal, agreement or action made in opposition to the authorization and approval of the Merger Agreement, the Plan of Merger, the Post-Closing M&A or the consummation of the Transactions, including the Merger, or in competition or inconsistent with the Transactions, including the Merger.

ARTICLE IV
MISCELLANEOUS

Section 4.01 Termination of the Consortium Agreement

Each Investor that is a party to the Consortium Agreement hereby acknowledges and agrees that the Consortium Agreement shall be terminated with immediate effect and shall have no further force and effect for all parties thereto upon the execution and delivery of this Agreement by the Parties; *provided*, that the termination of the Consortium Agreement shall not relieve any Investor of any liability or obligation resulting from a breach thereof that accrued thereunder prior to the termination of the Consortium Agreement.

Section 4.02 Effectiveness

This Agreement shall become effective on the date hereof and shall terminate upon the earlier of the Effective Time and the termination of the Merger Agreement pursuant to Article VIII thereof; *provided* that any liability for failure to comply with the terms of this Agreement shall survive such termination; *provided further* that:

(a) Section 2.01(b), Section 2.07, Section 2.08 and Section 2.09 shall survive such termination solely to the extent such provision contemplates survival following such termination;

(b) Section 2.06(a) shall remain in effect if this Agreement is terminated upon the Effective Time until a Shareholders Agreement or other definitive agreement containing customary terms including (and that are, subject to changes approved by the Initial Sponsor, consistent with) the terms set forth on Schedule B hereto is duly executed by the Investors and other parties thereto in accordance with Section 2.06(a);

(c) Section 2.12, Section 2.13 and Section 2.14 shall remain in effect until the date which is six (6) months after the termination of this Agreement;

(d) Section 3.01 and Section 3.02 shall remain in effect until the expiration of the respective terms set forth therein; and

(e) Article IV shall survive such termination and remain in effect for so long as any provision of this Agreement other than Article IV remains in effect.

Section 4.03 Amendments; Waivers

Neither this Agreement nor any term hereof may be amended or otherwise modified other than by an instrument in writing signed by each Party. Except as otherwise expressly provided herein, no provision of this Agreement may be waived, discharged or terminated other than by an instrument in writing signed by the Party against whom the enforcement of such waiver, discharge or termination is sought. No failure or delay by any Party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 4.04 Severability

If any provision of this Agreement is held to be invalid or unenforceable for any reason, it shall be adjusted rather than voided, if possible, in order to achieve the intent of the Parties to the maximum extent possible. In any event, the invalidity or unenforceability of any provision of this Agreement in any jurisdiction shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of this Agreement, including that provision, in any other jurisdiction.

Section 4.05 Remedies

(a) The Parties agree that, except as otherwise provided herein, this Agreement will be enforceable by all available remedies at law or in equity (including specific performance), *provided* that this Agreement may only be enforced against an Investor by Parent, HoldCo or Merger Sub, acting at the direction of the Initial Sponsor.

(b) In the event that Parent Parties determine to enforce the provisions of the Equity Commitment Letters or the Support Agreement, in each case, in accordance with this Agreement, and the Initial Sponsor is prepared to:

(i) cause Parent, HoldCo and Merger Sub to consummate the Merger in accordance with this Agreement,

(ii) fulfill its (or its Affiliates') obligations under the Support Agreement and

(iii) fulfill its (or its Affiliates') respective Commitments immediately prior to the Closing, as evidenced in writing to the other Investors (the Investors who are so prepared, the "**Closing Investors**"),

but one or more Investors fails to fulfill its or their (or cause to be fulfilled its Affiliates') Commitment or provides written notice that it or its Affiliates will not fulfill its or their Commitment, or fails to fulfill its (or its Affiliates') obligations under the Support Agreement or provides written notice that it (or its Affiliates) will not fulfill its or their obligations under the Support Agreement, as applicable, the Parties agree that the Closing Investors shall be entitled, in their discretion, to either:

(i) specific performance of the terms of this Agreement and the Equity Commitment Letters or the Support Agreement, as applicable, together with any costs of enforcement incurred by the Closing Investors in seeking to enforce such remedy, or

(ii) payment by the Failing Investor(s) in an amount equal to the aggregate out-of-pocket damages (including any amounts payable by the Guarantors in respect of the Limited Guarantees) incurred by such Closing Investors and their Affiliates that are EC Investors, Rollover Shareholders or Guarantors.

(c) If Parent Parties, acting at the direction of the Initial Sponsor, determine to enforce the remedy described in the preceding sentence against any Failing Investor, it must do so against all Failing Investors.

(d) If there are multiple Failing Investors, each Failing Investor's portion of the total obligations hereunder shall be the amount equal to the product of (x) the amounts due from all Failing Investors hereunder (including the aggregate value of the Rollover Commitment of any Rollover Shareholder that is an Affiliate of any such Failing Investor) *multiplied by* (y) a fraction of which the numerator is such Failing Investor's and its Affiliates' Commitment and the denominator is the sum of all Failing Investors' and their Affiliates' Commitments.

Section 4.06 No Recourse

Notwithstanding anything that may be expressed or implied in this Agreement, and notwithstanding the fact that certain of the Investors may be partnerships, limited liability companies, corporations or other entities, Parent, HoldCo, Merger Sub and each Investor covenant, agree and acknowledge that no recourse under this Agreement or any documents or instruments delivered in connection with this Agreement shall be had against and no personal

liability shall attach to, any former, current or future direct or indirect holder of any equity, general or limited partnership or limited liability company interest, controlling person, management company, portfolio company, incorporator, director, officer, employee, agent, advisor, attorney, representative, Affiliate (other than any permitted assignee under Section 4.11), members, managers, general or limited partners, shareholders, stockholders, representatives, successors or assignees of any Investor or any former, spouse, immediate family members, heirs, executors, administrators, trustees, legal representatives and beneficiaries of any Investor (if the Investor is a natural person), current or future direct or indirect holders of any equity, general or limited partnership or limited liability company interest, controlling persons, management companies, portfolio companies, incorporators, directors, officers, employees, agents, attorneys, representatives, Affiliates (other than any permitted assignee under Section 4.11), members, managers, general or limited partners, shareholders, stockholders, successors or assignees of any of the foregoing, as such, whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any statute, regulation or other applicable Law, for any obligation of any Investor or its Affiliates under this Agreement or any documents or instruments delivered in connection with this Agreement for any claim based on, in respect of or by reason of such obligations or their creation (in each case other than against the Parties or such other document or instrument as expressly provided therein).

Section 4.07 Governing Law; Jurisdiction

(a) This Agreement shall be governed by, and construed in accordance with, the Laws of the State of New York, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of the Laws of any jurisdiction other than the State of New York.

(b) Any disputes, actions and proceedings against any Party or arising out of or in any way relating to this Agreement shall be submitted to the Hong Kong International Arbitration Centre ("**HKIAC**") and resolved in accordance with the Arbitration Rules of HKIAC in force at the relevant time and as may be amended by this Section 4.07(b) (the "**Rules**"). The place of arbitration shall be Hong Kong. The official language of the arbitration shall be English and the tribunal shall consist of three (3) arbitrators (each, an "**Arbitrator**"). The claimant(s), irrespective of number, shall nominate jointly one (1) Arbitrator; the respondent(s), irrespective of number, shall nominate jointly one (1) Arbitrator; and a third Arbitrator will be nominated jointly by the first two Arbitrators and shall serve as chairman of the arbitration tribunal. In the event the claimant(s) or respondent(s) or the first two Arbitrators shall fail to nominate or agree the joint nomination of an Arbitrator or the third Arbitrator within the time limits specified by the Rules, such Arbitrator shall be appointed promptly by the HKIAC. The arbitration tribunal shall have no authority to award punitive or other punitive-type damages. The award of the arbitration tribunal shall be final and binding upon the disputing Parties. Any Party to an award may apply to any court of competent jurisdiction for enforcement of such award and, for purposes of the enforcement of such award, the Parties irrevocably and unconditionally submit to the jurisdiction of any court of competent jurisdiction and waive any defenses to such enforcement based on lack of personal jurisdiction or inconvenient forum.

(c) Notwithstanding the foregoing, the Parties hereby consent to and agree that in addition to any recourse to arbitration as set out in Section 4.07(b), any Party may, to the extent permitted under the rules and procedures of the HKIAC, seek an interim injunction

or other form of relief from the HKIAC as provided for in its Rules. Such application shall also be governed by, and construed in accordance with, the Laws of the State of New York.

(d) Each Party irrevocably consents to service of process in the manner provided for notices in Section 9.02 of the Merger Agreement and in the case of each Investor at the address set forth in such Investor's (or its Affiliates') Equity Commitment Letter or the Support Agreement. Nothing in this Agreement will affect the right of any Party to serve process in any other manner permitted by Law.

Section 4.08 Waiver of Jury Trial

EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT AND ANY OF THE AGREEMENTS DELIVERED IN CONNECTION HEREWITH OR THE MERGER AND OTHER TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY HERETO CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE EITHER OF SUCH WAIVERS, (B) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVERS, (C) IT MAKES SUCH WAIVERS VOLUNTARILY, AND (D) IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 4.08.

Section 4.09 Exercise of Rights and Remedies

(a) Except as otherwise provided herein, any and all remedies herein expressly conferred upon a Party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such Party, and the exercise by a Party of any one remedy will not preclude the exercise of any other remedy.

(b) The Parties acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, and that money damages alone would not be an adequate remedy for such damages. Except as otherwise set forth in this Section 4.09, including the limitations set forth in Section 4.09(c), each Party shall be entitled to specific performance or injunctive or other equitable relief (without posting a bond or other security) to enforce or prevent any violations of any provision of this Agreement, in addition to all other rights and remedies available at law or in equity to such Party, including the right to claim money damages for breach of any provision of this Agreement. All rights, powers, and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise or beginning of the exercise of any thereof by a Party shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such Party.

(c) The Parties' right of specific enforcement is an integral part of the transactions contemplated hereby and each Party waives any objections to the grant of the equitable remedy of specific performance to prevent or restrain breaches of this Agreement by any other Party (including any objection on the basis that there is an adequate remedy at

law or that an award of specific performance is not an appropriate remedy for any reason at law or equity), and each Party shall be entitled to an order or injunction and to specifically enforce the terms and provisions of this Agreement to prevent or restrain breaches or threatened breaches of, or to enforce compliance with, the covenants and obligations of such Party under this Agreement in accordance with the terms of this Section 4.09. In the event any Party seeks an order or injunction to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, such Party shall not, in accordance with the terms of this Section 4.09, be required to provide any bond or other security in connection with such order or injunction.

Section 4.10 Entire Agreement

This Agreement, the Support Agreement, the Equity Commitment Letters, the Limited Guarantees, the Merger Agreement and the agreements contemplated hereby and thereby, constitute the entire agreement, and supersedes all prior agreements, understandings, negotiations and statements, both written and oral, among the Parties and any of their Affiliates with respect to the subject matter contained herein except for such other agreements as are referenced herein which shall continue in full force and effect in accordance with their terms. In the event of any conflict between the provisions of this Agreement and the provisions of such other agreements as are referenced herein (including, for the avoidance of doubt, any provisions of the Equity Commitment Letters or the Limited Guarantees), the provisions of this Agreement shall prevail.

Section 4.11 Assignment; No Third-Party Beneficiaries

Other than as provided herein, this Agreement and the rights, interests and obligations hereunder shall not be assigned by any Party (whether by operation of law or otherwise) without the prior written consent of the other Parties; *provided* that each Party may assign its rights and obligations under this Agreement, in whole or in part, to an Affiliate of such Party. Subject to the foregoing sentence, each Party agrees that it will remain bound and liable under this Agreement after such assignment to its Affiliates, and this Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective heirs, successors, legal representatives and permitted assigns. Nothing in this Agreement, express or implied, shall be construed as giving any person, other than the Parties and their respective heirs, successors, legal representatives and permitted assigns any right, remedy, obligation, liability or claim under or in respect of this Agreement or any provision hereof.

Section 4.12 No Presumption Against Drafting Party

Each Party acknowledges that it has been represented by independent counsel in connection with this Agreement and the transactions contemplated by this Agreement. Accordingly, any rule of law or any legal decision that would require interpretation of any claimed ambiguities in this Agreement against the drafting Party has no application and is expressly waived.

Section 4.13 Interpretation

When a reference is made in this Agreement to a Section or Article such reference shall be to a Section or Article of this Agreement unless otherwise indicated. The headings contained in this Agreement are for convenience of reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. All words used in this

Agreement will be construed to be of such gender or number as the circumstances require. The word "including" and words of similar import when used in this Agreement will mean "including, without limitation", unless otherwise specified. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. Any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and references to all attachments thereto and instruments incorporated therein. References to a person are also to its permitted successors and assigns. References to clauses without a cross-reference to a Section or subsection are references to clauses within the same Section or, if more specific, subsection. References from or through any date shall mean, unless otherwise specified, from and including or through and including, respectively. The symbol "US$" refers to United States Dollars. The word "extent" in the phrase "to the extent" means the degree to which a subject or other thing extends and such phrase shall not mean simply "if". References to "day" shall mean a calendar day unless otherwise indicated as a "Business Day".

Section 4.14 Counterparts

This Agreement may be executed in counterparts and all counterparts taken together shall constitute one document. E-mailed copies of signatures shall be deemed to be originals for purposes of the effectiveness of this Agreement.

Section 4.15 Additional Investors

Any person who has not executed this Agreement as of the date hereof may, with the Initial Sponsor's prior written consent, become a party to, and be bound by, this Agreement as an Investor by signing and delivering to the Initial Sponsor a joinder in the form of Exhibit A hereto (a "**Joinder Agreement**"), and upon execution thereof, Schedule A shall be deemed amended accordingly.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

PARENT

SpringX Holdings Limited

By: _____

Name: LIN Ning David

Title: Authorized Signatory

HOLDCO

AutumnX Holdings Limited

By: _____

Name: LIN Ning David

Title: Authorized Signatory

MERGER SUB

SummerX Holdings Limited

By: _____

Name: LIN Ning David

Title: Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

SPONSOR

Trustbridge Partners VII, L.P.

By:

Name: LIN Ning David

Title: Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

SPONSOR

Retail Technology Asia Limited

By: _____

Name: Zhang Feng

Title: Director

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

INVESTOR

Cloopen Co., Ltd.

By: _____

Name: Changxun Sun

Title: Director

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

Changxun Sun

By: _____

SCHEDULE A
INVESTORS, EQUITY COMMITMENTS AND GUATANTORS

Investor	EC Investor	Cash Equity Commitment	Guarantor	LG Percentage	Parent Shares
Trustbridge Partners VII, L.P.	Trustbridge Partners VII, L.P.	US$36,000,000	Trustbridge Partners VII, L.P.	49.79253%	36,000,000
Retail Technology Asia Limited	Retail Technology Asia Limited	US$36,000,000	Retail Technology Asia Limited	49.79253%	36,000,000
Cloopen Co., Ltd.	Cloopen Co., Ltd.	US$300,000	Cloopen Co., Ltd.	0.41494%	300,000

SCHEDULE B
SHAREHOLDERS AGREEMENT TERM SHEET

SpringX Holdings Limited ("Parent"), AutumnX Holdings Limited ("HoldCo"), Trustbridge Partners VII, L.P. (the "Initial Sponsor"), Cloopen Co., Ltd., a company wholly-owned by Mr. Changxun Sun (the "Management Party" or "Mr. Sun") and other parties have entered into a Consortium Agreement dated December 22, 2025, and Parent and HoldCo and other parties have signed an Agreement and Plan of Merger on May 12, 2026 (the "Merger Agreement", together with other definitive documentation in connection with the Transaction, the "Definitive Agreement"). According to the proposed Merger Agreement, a wholly owned subsidiary of HoldCo will merge with Cloopen Group Holding Limited (the "Company") in order to privatize the Company (the "Merger").

This term sheet (the "Term Sheet") is a summary of certain indicative terms agreed by relevant Parties as the shareholders of Parent and/or HoldCo regarding the corporate governance of each of Parent and HoldCo after the Merger.

Unless otherwise defined herein, capitalized terms used in this Term Sheet shall have the respective meanings given to them in the Interim Investors Agreement.

1. Board Representation	(1) **HoldCo Board**. The board of directors of HoldCo shall consist of no more than five (5) directors. The Initial Sponsor and its affiliates collectively shall be entitled to appoint three (3) directors, the Management Party shall be entitled to appoint one (1) director and Retail Technology Asia Limited (the "Dmall") shall be entitled to appoint one (1) director. The chairman of the HoldCo board shall be appointed by the Initial Sponsor. Quorum shall require the presence of a majority of directors, including at least two (2) Initial Sponsor-appointed directors. (2) **Parent Board**. The board of directors of Parent shall consist of no more than five (5) directors. The Initial Sponsor and its affiliates collectively shall be entitled to appoint three (3) directors, the Management Party shall be entitled to appoint one (1) director and Dmall shall be entitled to appoint one (1) director. The chairman of the Parent board shall be appointed by the Initial Sponsor.
2. Corporate Governance	(1) **Shareholder Decision**. Unless otherwise required by applicable law or as specifically set forth herein, all actions, approvals, or resolutions of the shareholders of Parent and HoldCo shall require the affirmative vote of a simple majority of the voting power held by the shareholders present and voting at a duly convened meeting (or acting by way of written consent). (2) **Board Decision**. Unless otherwise required by applicable law or as specifically set forth herein, all actions, approvals, or resolutions of the board of directors of Parent and HoldCo shall require the affirmative vote of a simple majority of the directors

	present and voting at a duly convened board meeting where a quorum is present. (3) **Management**. The board of directors of HoldCo shall have the exclusive authority and power regarding the appointment, removal, the determination of the compensation package and the scope of authority of each of the senior management of the Company and all its direct and indirect subsidiaries (the "Group" or the "Group Companies"). Effective from the closing date of the Merger (the "Closing Date"), the Management Party shall be appointed as the Group's chief executive officer for a one-year term (the "Guaranteed Term"), who shall be responsible for the day-to-day management of the Group's operations, subject to the oversight of the HoldCo's board.
3. Reserved Matters	Subject to the termination provisions set forth below, the following matters relating to Parent, HoldCo or the Group shall require the prior written consent of the Management Party: (1) any merger, reorganization or restructuring of the Group, taken as a whole, that would disproportionately and adversely affect the rights or privileges of the shares beneficially owned by the Management Party, or other rights specifically granted to the Management Party (other than the Merger itself or a Drag-Along Sale); (2) any voluntary liquidation, dissolution or winding up of HoldCo or a significant Group Company as stipulated in Definitive Agreements; (3) any amendment to the constitutional documents of HoldCo or Parent that disproportionately and adversely affect the rights or privileges of the shares beneficially owned by the Management Party, or other rights specifically granted to the Management Party; (4) any issuance, allotment or authorisation to issue equity or equity-linked security in HoldCo or the Company, including but not limited to a security that is convertible into or exercisable for any equity security, or increase the authorized number of shares or any securities convertible into shares, which would result in the Management Party's beneficial shareholding percentage in the relevant entity to fall below 4% (on a fully-diluted and as-converted basis); (5) appointment of the chief executive officer of the Group during

	the Guaranteed Term; and (6) any sale, transfer or disposal (whether by a single transaction or a series of related transactions) of: (i) all or a majority of the assets (including tangible and intangible assets) of the Group, or (ii) any business or entity that contributed 50% or more of the consolidated revenue of the Group in the most recent financial year, in each case of (i) and (ii), with the valuation of the Group (taken as a whole) implied by such sale, transfer or disposal being lower than 120% of the valuation of the Group in the Merger. The Management Party's veto rights shall automatically terminate upon the earliest to occur of (i) the Management Party and its affiliates falling below a minimum agreed shareholding threshold as stipulated in Definitive Agreements, (ii) the completion of a Qualified IPO, (iii) the consummation of a Drag-Along Sale or other approved change of control transaction, (iv) the breach of the Management Party's non-compete obligations or (v) the mutual written agreement of the Initial Sponsor and the Management Party, as further set out in the Definitive Agreements. Notwithstanding the foregoing, the Initial Sponsor shall consult with the Management Party in good faith with respect to any candidate of the chief executive officer of the Group as long as the Management Party remains as the chief executive officer of the Group. Notwithstanding anything to the contrary, with respect to each shareholder of Parent or HoldCo (other than the Initial Sponsor and the Management Party), the prior written consent of such shareholder is required for any of the matters set forth above that would have a disproportionate and material adverse impact on such shareholder compared to other shareholders of the same class.
4. Pre-emptive Rights	Shareholders of each of Parent and HoldCo shall have customary pre-emptive rights on a pro rata basis in the event of any new issuance of equity securities by Parent or HoldCo, subject to customary exceptions (including employee incentive plans, reorganizations, and issuances required by applicable law).
5. Restriction on Transfer	From the Closing Date and until the earliest of (i) a Qualified IPO, (ii) the fifth anniversary of the Closing Date, and (iii) the second anniversary of the date on which the Management Party ceases to serve as the chief executive officer of the Group for any reason, unless otherwise agreed by the Initial Sponsor, the Management Party shall not directly or indirectly transfer any equity interests in Parent or HoldCo to any third party, except for customary permitted transfers to be specified in the Definitive Agreements or

	transfers pursuant to a Drag-Along Sale. **Restriction on Transfers to Competitors**. Notwithstanding the foregoing, prior to a Qualified IPO, no shareholder of Parent or HoldCo shall transfer any equity interests to any of Group's competitors.
6. Right of First Offer/Refusal	If the Initial Sponsor or Dmall proposes to transfer any equity interests in Parent or HoldCo, the other shareholders of Parent and HoldCo shall have customary right of first offer with respect to such transferred shares, on a pro rata basis, subject to customary exceptions. If any shareholder of Parent and HoldCo (other than the Initial Sponsor and Dmall) proposes to transfer any equity interests in Parent or HoldCo, the other shareholders shall have customary right of first refusal with respect to such transferred shares, on a pro rata basis, subject to customary exceptions.
7. Tag-Along Rights	In the event any shareholder proposes to transfer Parent Shares or HoldCo Shares to a third party, the non-selling shareholders of Parent or HoldCo (as applicable) who do not exercise their right of first refusal/offer shall have customary tag-along rights to participate in such sale on the same terms and conditions. Notwithstanding the foregoing, any transfer of shares by a shareholder holding less than 4% of the outstanding shares of Parent or HoldCo (as applicable) shall be exempt from, and not subject to, the tag-along rights of the other shareholders.
8. Drag-Along Rights	For so long as the Initial Sponsor and its affiliates collectively remain the single largest shareholder of the HoldCo's total outstanding shares (on a fully-diluted basis), if the Initial Sponsor approves a Trade Sale (as defined below) to any person (a "Drag-Along Sale"), the Initial Sponsor shall have the right to require all other shareholders of Parent and HoldCo to participate in such Drag-Along Sale on the same terms and conditions, provided that the valuation of the Group in such Drag-Along Sale shall be no lower than 120% of the valuation of the Group in the Merger (based on the per share merger consideration under the Merger Agreement, as adjusted for any subsequent share split, share dividend, consolidation, subdivision, reclassification, recapitalization or other similar events). A "Trade Sale" shall be broadly defined as any transaction or series of related transactions involving (i) any merger, consolidation, or reorganization of the Group; (ii) the sale, transfer, or exclusive license of all or substantially all of the Group's assets; or (iii) the sale or transfer of more than 50% of the Group's issued share

	capital, in each case, whether to a strategic buyer, financial investor, or through any other business combination that results in a change of control.
9. Information Rights	(1) Subject to minimum shareholding thresholds to be set out in the Definitive Agreements, for so long as a shareholder holds at least 1% of the outstanding shares of Parent or HoldCo (as applicable), such shareholder of Parent and HoldCo shall be provided by Parent and/or HoldCo with information and access rights that are customary for transactions similar to the Merger, including, with respect to the Group Companies and as prepared by each thereof:consolidated audited annual financial statements within 120 days following the end of each fiscal year; (2) unaudited quarterly financial statements within 60 days following the end of each fiscal quarter end for the first three fiscal quarters in each fiscal year; and (3) unaudited monthly financial statements within 30 days following the end of each month. For so long as a shareholder holds at least 3% of the outstanding shares of Parent or HoldCo (as applicable), such shareholder shall also be entitled to receive copies of necessary materials, minutes, and resolutions provided to the board of directors of Parent and/or HoldCo.
10. Debt Financing	The parties acknowledge and agree that Parent shall incur debt financing from one or more third-party lenders (the "Debt Financing") to fund a substantial portion of the cash consideration payable by HoldCo (or its subsidiary) in connection with the Merger. The Management Party shall not be required to provide personal guarantee or anything beyond his equity holding in the Group. The following funds shall first be used to repay the Debt Financing: (1) the cash dividend distributed by the HoldCo that the shareholders of the Parent are entitled to according to their indirect shareholding percentage held in HoldCo through Parent; (2) in addition to Section 10(1), any other cash dividend distributed by Parent to its shareholders according to their shareholding percentage in Parent; (3) capital contribution by the shareholders of Parent to Parent on a

	pro rata basis; and (4) any after-tax proceeds from the sale or transfer of equity interests in Parent, HoldCo, or the Company (whether held directly by the shareholders or indirectly through Parent), including proceeds from a Qualified IPO or other exit transaction.
11. Non- Compete	For so long as the Management Party serves as the chief executive officer of the Group or as a director of Parent, HoldCo or the Company, and for a period of two (2) years following the termination or cessation of the chief executive officer of the Group for any reason, the Management Party undertakes to refrain from participating in any competing business. The details of such non-compete obligation shall be provided in the Definitive Agreements.

SCHEDULE C
NOTICE DETAILS

If to the Parent Parties:	2001, Agricultural Bank of China Tower 50 Connaught Road Central, Central, Hong Kong Attention: Gladys Wong Email: Gladys.Wong@trustbridgepartners.com with a copy (which shall not constitute notice) to: Han Kun Law Offices 33/F, HKRI Center Two, HKRI Taikoo Hui 288 Shimen Road (No. 1) Jing'an District Shanghai 200041 People's Republic of China Attention: Nick Shu Email: nick.shu@hankunlaw.com and 16/F, Tower A, Fairmont Tower 33 Guangshun North Main Street Chaoyang District, Beijing People's Republic of China Attention: Changxun Sun Email: 13911861793@139.com with a copy (which shall not constitute notice) to: King & Wood 20th Floor, East Tower, World Financial Center No.1 Dongsanhuan Zhonglu Chaoyang District Beijing 100020 People's Republic of China Attention: Owen Wang Email: owen.wang@cn.kingandwood.com
If to Trustbridge Partners VII, L.P.:	2001, Agricultural Bank of China Tower 50 Connaught Road Central, Central, Hong Kong Attention: Gladys Wong Email: Gladys.Wong@trustbridgepartners.com with a copy (which shall not constitute notice) to: Han Kun Law Offices 33/F, HKRI Center Two, HKRI Taikoo Hui 288 Shimen Road (No. 1) Jing'an District Shanghai 200041 People's Republic of China Attention: Nick Shu

	Email: nick.shu@hankunlaw.com
If to Retail Technology Asia Limited:	Floor 13, Block B Haidian Culture and Art Building No. 28, Zhongguancun Street, Haidian District Beijing, China Attention: Wang Yi Email: investmentproject@dmall.com with a copy (which shall not constitute notice) to: Skadden, Arps, Slate, Meagher & Flom 42/F, Edinburgh Tower, The Landmark 15 Queen's Road Central, Hong Kong Attention: Paloma Wang / Shu Du, Esq. Email: paloma.wang@skadden.com / shu.du@skadden.com
If to Cloopen Co., Ltd. / Changxun Sun:	16/F, Tower A, Fairmont Tower 33 Guangshun North Main Street Chaoyang District, Beijing People's Republic of China Attention: Changxun Sun Email: 13911861793@139.com with a copy (which shall not constitute notice) to: King & Wood 28th Floor, China Resources Tower 2666 Keyuan South Road, Nanshan District Shenzhen, Guangdong 518052 People's Republic of China Attention: Owen Wang Email: owen.wang@cn.kingandwood.com

EXHIBIT A
FORM OF JOINDER AGREEMENT

This Joinder Agreement (this "**Joinder Agreement**") is made as of [●], by the undersigned (the "**Joining Party**") in accordance with the Interim Investors Agreement, dated as of [●], by and among the Initial Sponsor, the Management Party and the other parties thereto, as the same may be amended from time to time (the "**Agreement**"). Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Agreement.

The Joining Party hereby acknowledges, agrees and confirms that, by its execution of this Joinder Agreement, the Joining Party shall be deemed to be a party to and an "**Investor**" (and, as applicable, an "**EC Investor**") under the Agreement as of the date hereof and shall have all of the rights and obligations of an Investor as if it had executed the Agreement.

The Joining Party hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Agreement. The Joining Party's Commitment, EC Investor information and Parent Shares are set forth on Annex I hereto, and Schedule A, as well as Schedule C to the Agreement shall be deemed amended to include the information set forth on Annex I hereto.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the undersigned has executed this Joinder Agreement as of the date first written above.

NEW INVESTOR

[•]

By: _____

Name:

Title:

IN WITNESS WHEREOF, the undersigned has executed this Joinder Agreement as of the date first written above.

Acknowledged and agreed:

TRUSTBRIDGE PARTNERS VII, L.P.

(on behalf of itself and as representative of the other Parties)

By: _____

Name:

Title:

ANNEX I

Investor	EC Investor	Cash Equity Commitment	Guarantor	LG Percentage	Parent Shares	Notice Information
[●]	[●]	[●]	[●]	[●]	[●]	[●]
[●]	[●]	[●]	[●]	[●]	[●]	[●]

GTG CPA LIMITED
新榮會計師事務所有限公司
GTG CPA Limited
Tel: (852) 3793 4062 Email: info@gtgcpa.com
Address: Room 1803, 18/F, Lemmi Centre, 50 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong

Independent practitioner's limited assurance report
To the Board of Directors of Dmall Inc.

Pursuant to the announcement of Dmall Inc. (the "Company", together with its subsidiaries, the "Group") dated May 12, 2026, the purchaser, a wholly-owned subsidiary of the Company, entered into agreements with the relevant parties in relation to the acquisition of equity interests in Cloopen Group Holding Limited (the "Cloopen", together with its subsidiaries and consolidated affiliated entities, the "Cloopen Group"), which constitutes a major transaction of the Company under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements, the financial information of the Cloopen Group should be included in the circular. We have undertaken a limited assurance engagement on the reconciliation of the consolidated balance sheets of the Cloopen Group as at December 31, 2023, 2024 and 2025, and the consolidated statements of comprehensive loss of the Cloopen Group for each of the three years ended December 31, 2023, 2024 and 2025 (the "Relevant Periods") to address the differences between accounting policies adopted by the Group and the Cloopen Group.

Subject Matter Information and Reporting Criteria

The accounting policies adopted by Cloopen in the preparation of the Cloopen Group's historical financial information (the "Cloopen Historical Financial Information") for the Relevant Periods are in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP") (the "Cloopen's Accounting Policies"), while accounting policies adopted by the Group for each of the Relevant Periods are in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the "Group's Accounting Policies"). A line-by-line reconciliation (the "Reconciliation") of the consolidated balance sheets of the Cloopen Group as at December 31, 2023, 2024 and 2025, and the consolidated statements of comprehensive loss of the Cloopen Group for each of the Relevant Periods to address the differences, in all material respects, on the Cloopen Historical Financial Information had it been prepared in accordance with the Group's Accounting Policies, as set out in Appendix I to this report.

Director's Responsibilities

The Directors of the Company are responsible for the preparation of the Reconciliation by comparing the differences between the accounting policies adopted by Cloopen for the preparation of Cloopen Historical Financial Information, and the accounting policies presently adopted by the Group which are in compliance with IFRS Accounting Standards, and quantifying the relevant material financial effects of such differences, if any. The process applied in the preparation of Reconciliation includes:

a) Extracting relevant financial information from the consolidated financial statements of the Cloopen Group for the Relevant Periods, which were prepared in accordance with U.S. GAAP as the "Unadjusted Financial Information of Cloopen" in respect of the consolidated balance sheet of the Cloopen Group as at December 31, 2023, 2024 and 2025 and the consolidated statements of comprehensive loss of the Cloopen Group for each of the Relevant Periods";

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b) Identifying changes to the accounting policies under U.S. GAAP which are considered necessary in order for the accounting policies to conform to the relevant requirements of IFRS Accounting Standards and quantifying the financial effects resulting from such changes; and

c) Preparing the description of the reconciliating items to explain the differences in the accounting policies.

Your attention is drawn to the fact that the Reconciliation has not been subject to an independent audit. Accordingly, no opinion is expressed by an auditor on whether it presents a true and fair view of the Cloopen's financial positions as at December 31, 2023, 2024 and 2025, nor its financial performance for each of the Relevant Periods then ended under the accounting policies presently adopted by the Group which are in compliance with IFRS Accounting Standards.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibilities

Our responsibility is to express a limited assurance conclusion on the Reconciliation based on our work and to report our conclusion to you. We conducted our limited assurance engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("HKSAE 3000 (Revised)") issued by the HKICPA. We have planned and performed our work to obtain limited assurance for giving our conclusion below.

Our work consists of making inquiries, primarily of persons responsible for the preparation of the Reconciliation, assessing the suitability of the basis of preparation and the reconciliation process, and applying other procedures. The procedures selected depend on their understanding of the Reconciliation and other engagement circumstances, and the consideration of areas where material misstatements are likely to arise. The work consisted primarily of:

a) comparing the "Unadjusted Financial Information of Cloopen" as set out in Reconciliation with the Cloopen Historical Financial Information, as appropriate;

b) assessing the accounting treatments and classifications according to the Cloopen's Accounting Policies and the Group's Accounting Policies and evaluating the different accounting treatments and classifications identified by the Directors;

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c) considering the adjustments and reclassifications made and evidence supporting them made in the Reconciliation in arriving at the "Adjusted Financial Information of Cloopen under the Group's Accounting Policies"; and

d) checking the arithmetic accuracy of the computation of the Reconciliation.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our engagement did not involve independent examination of any of the Cloopen Historical Financial Information. The work carried out in accordance with HKSAE 3000 (Revised) is different in scope from an audit or review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, we did not express an audit opinion nor a review conclusion on the Reconciliation.

Conclusion

Based on our work performed, nothing has come to our attention that causes us to believe:

a) the "Unadjusted Financial Information of Cloopen" for each of the Relevant Periods as set out in the Reconciliation are not in agreement with the Cloopen Historical Financial Information prepared in accordance with the Cloopen's Accounting Policies, as appropriate;

b) the adjustments and reclassifications made in the Reconciliation do not reflect, in all material respects, the differences in accounting treatments and classifications between the Cloopen's Accounting Policies and the Group's Accounting Policies; and

c) the computation of the Reconciliation is not arithmetically accurate.

Intended Users and Purpose

Our report has been prepared solely for the Board of Directors of the Company in connection with this circular and may not be suitable for another purpose. Our report is not intended to be, and should not be, used for any other purpose and we expressly disclaim any liability or duty to any other party in this respect.

Our report should not be distributed to any other parties, except for The Stock Exchange of Hong Kong Limited and other professional advisers involved in.

GTG CPA Limited

GTG CPA Limited
Certified Public Accountants

Hong Kong
30 June 2026

Appendix I. Line-by-line Reconciliation

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS

	For the Year Ended December 31, 2023				
	Unadjusted Financial Information of Cloopen (Audited) RMB'000	**GAAP difference Adjustments (Unaudited) RMB'000 (Note 1)**	**Reclassification Adjustments (Unaudited) RMB'000 (Note 2)**	**Presentation Adjustments (Unaudited) RMB'000 (Note 3)**	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies (Unaudited) RMB'000**
Revenue	571,024	(382)			570,642
Cost of revenue	(366,375)	(4)			(366,379)
Gross profit	**204,649**	**(386)**	**-**	**-**	**204,263**
Other net income/(loss)		(919)		(3,948)	(4,867)
Research and development expenses	(222,538)	(4,088)			(226,626)
Selling and marketing expenses	(227,543)	(2,940)			(230,483)
General and administrative expenses	(191,113)	(10,616)	16,456		(185,273)
Impairment losses of trade receivables, contract assets and other receivables reversed/(recognized)			(16,456)		(16,456)
Loss from operations	**(436,545)**	**(18,949)**	**-**	**(3,948)**	**(459,442)**
Interest income	26,826			(26,826)	-
Interest expense		(1,235)		1,235	-
Net finance income				31,290	31,290
Investment income	563			(563)	-
Share of profits/(losses) of associates	(1,470)				(1,470)
Impairment loss of long-term investments	(8,011)	3,500		4,511	-
Foreign currency exchange gains (losses), net	5,699			(5,699)	-
Loss before taxation	**(412,938)**	**(16,684)**	**-**	**-**	**(429,622)**
Income tax benefit	564				564
Loss for the year	**(412,374)**	**(16,684)**	**-**	**-**	**(429,058)**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS

	For the Year Ended December 31, 2023				
	Unadjusted Financial Information of Cloopen (Audited) RMB'000	GAAP difference Adjustments (Unaudited) RMB'000 (Note 1)	Reclassification Adjustments (Unaudited) RMB'000 (Note 2)	Presentation Adjustments (Unaudited) RMB'000 (Note 3)	Adjusted Financial Information of Cloopen under the Group's Accounting Policies (Unaudited) RMB'000
Attribute to:					
Equity shareholders of the Cloopen	(409,722)	(16,684)			(426,406)
Non-controlling interests	(2,652)				(2,652)
Loss for the year	**(412,374)**	**(16,684)**	**-**	**-**	**(429,058)**
Loss for the year	**(412,374)**	**(16,684)**	**-**	**-**	**(429,058)**
Other comprehensive income/(loss) for the year (after tax and reclassification adjustments):					
Exchange difference on translation of financial statements of the Cloopen	21,286				21,286
Fair value gain/(loss) on investments in equity instruments at fair value through other comprehensive income		(5,315)			(5,315)
Other comprehensive income/(loss) for the year	**21,286**	**(5,315)**	**-**	**-**	**15,971**
Total comprehensive loss for the year	**(391,088)**	**(21,999)**	**-**	**-**	**(413,087)**
Attribute to:					
Equity shareholders of the Cloopen	(388,436)	(21,999)			(410,435)
Non-controlling interests	(2,652)				(2,652)
Total comprehensive loss for the year	**(391,088)**	**(21,999)**	**-**	**-**	**(413,087)**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS

	For the Year Ended December 31, 2024				
	Unadjusted Financial Information of Cloopen (Audited) RMB'000	**GAAP difference Adjustments (Unaudited) RMB'000 (Note 1)**	**Reclassification Adjustments (Unaudited) RMB'000 (Note 2)**	**Presentation Adjustments (Unaudited) RMB'000 (Note 3)**	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies (Unaudited) RMB'000**
Revenue	573,566	(398)			573,168
Cost of revenue	(362,717)				(362,717)
Gross profit	**210,849**	**(398)**	**-**	**-**	**210,451**
Other net income/(loss)	49,530	83		12,262	61,875
Research and development expenses	(177,000)	(4,358)			(181,358)
Selling and marketing expenses	(187,305)	(2,527)			(189,832)
General and administrative expenses	(93,916)	(5,290)	(3,875)		(103,081)
Impairment losses of trade receivables, contract assets and other receivables reversed/(recognized)			3,875		3,875
Loss from operations	**(197,842)**	**(12,490)**	**-**	**12,262**	**(198,070)**
Interest income	42,151			(42,151)	-
Interest expense		(529)		529	-
Net finance income				37,905	37,905
Investment income	11,859			(11,859)	-
Share of profits/(losses) of associates	3				3
Gains (losses) from disposal of subsidiaries, net	403			(403)	-
Foreign currency exchange gains (losses), net	(3,717)			3,717	-
Loss before taxation	**(147,143)**	**(13,019)**	**-**	**-**	**(160,162)**
Income tax benefit	316				316
Loss for the year	**(146,827)**	**(13,019)**	**-**	**-**	**(159,846)**
Attribute to:					
Equity shareholders of the Cloopen	(142,757)	(13,019)			(155,776)
Non-controlling interests	(4,070)				(4,070)
Loss for the year	**(146,827)**	**(13,019)**	**-**	**-**	**(159,846)**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS

	For the Year Ended December 31, 2024				
	Unadjusted Financial Information of Cloopen (Audited) RMB'000	GAAP difference Adjustments (Unaudited) RMB'000 (Note 1)	Reclassification Adjustments (Unaudited) RMB'000 (Note 2)	Presentation Adjustments (Unaudited) RMB'000 (Note 3)	Adjusted Financial Information of Cloopen under the Group's Accounting Policies (Unaudited) RMB'000
Loss for the year	**(146,827)**	**(13,019)**	**-**	**-**	**(159,846)**
Other comprehensive income/(loss) for the year (after tax and reclassification adjustments):					
Exchange difference on translation of financial statements of the Cloopen	965				965
Fair value gain/(loss) on investments in equity instruments at fair value through other comprehensive income		9,142			9,142
Other comprehensive income/(loss) for the year	**965**	**9,142**	**-**	**-**	**10,107**
Total comprehensive loss for the year	**(145,862)**	**(3,877)**	**-**	**-**	**(149,739)**
Attribute to:					
Equity shareholders of the Cloopen	(141,792)	(3,877)			(145,669)
Non-controlling interests	(4,070)				(4,070)
Total comprehensive loss for the year	**(145,862)**	**(3,877)**	**-**	**-**	**(149,739)**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS

	For the Year Ended December 31, 2025				
	Unadjusted Financial Information of Cloopen (Audited) RMB'000	**GAAP difference Adjustments (Unaudited) RMB'000 (Note 1)**	**Reclassification Adjustments (Unaudited) RMB'000 (Note 2)**	**Presentation Adjustments (Unaudited) RMB'000 (Note 3)**	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies (Unaudited) RMB'000**
Revenue	535,709	(252)			535,457
Cost of revenue	(388,963)				(388,963)
Gross profit	**146,746**	**(252)**	**-**	**-**	**146,494**
Other net income/(loss)		(261)		(2,465)	(2,726)
Research and development expenses	(139,081)	(569)			(139,650)
Selling and marketing expenses	(142,265)	2,149			(140,116)
General and administrative expenses	(111,061)	509	2,802		(107,750)
Impairment losses of trade receivables, contract assets and other receivables reversed/(recognized)			(2,802)		(2,802)
Loss from operations	**(245,661)**	**1,576**	**-**	**(2,465)**	**(246,550)**
Interest income	10,656			(10,656)	-
Interest expense		(815)		815	-
Net finance income				9,328	9,328
Investment income	10,423			(10,423)	-
Share of profits/(losses) of associates	(1,638)				(1,638)
Impairment loss of long-term investments	(11,145)			11,145	-
Gains (losses) from disposal of subsidiaries, net	(1,743)			1,743	-
Foreign currency exchange gains (losses), net	(513)			513	-
Loss before taxation	**(239,621)**	**761**	**-**	**-**	**(238,860)**
Income tax benefit	820				820
Loss for the year	**(238,801)**	**761**	**-**	**-**	**(238,040)**
Attribute to:					
Equity shareholders of the Cloopen	(239,350)	761			(238,589)
Non-controlling interests	549				549
Loss for the year	**(238,801)**	**761**	**-**	**-**	**(238,040)**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS

	For the Year Ended December 31, 2025				
	Unadjusted Financial Information of Cloopen (Audited) RMB'000	GAAP difference Adjustments (Unaudited) RMB'000 (Note 1)	Reclassification Adjustments (Unaudited) RMB'000 (Note 2)	Presentation Adjustments (Unaudited) RMB'000 (Note 3)	Adjusted Financial Information of Cloopen under the Group's Accounting Policies (Unaudited) RMB'000
Loss for the year	**(238,801)**	**761**	**-**	**-**	**(238,040)**
Other comprehensive income/(loss) for the year (after tax and reclassification adjustments):					
Exchange difference on translation of financial statements of the Cloopen	(7,246)				(7,246)
Fair value gain/(loss) on investments in equity instruments at fair value through other comprehensive income		14,527			14,527
Other comprehensive income/(loss) for the year	**(7,246)**	**14,527**	**-**	**-**	**7,281**
Total comprehensive loss for the year	**(246,047)**	**15,288**	**-**	**-**	**(230,759)**
Attribute to:					
Equity shareholders of the Cloopen	(246,596)	15,288			(231,308)
Non-controlling interests	549				549
Total comprehensive loss for the year	**(246,047)**	**15,288**	**-**	**-**	**(230,759)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31, 2023				
	Unadjusted Financial Information of Cloopen (Audited) RMB'000	GAAP difference Adjustments (Unaudited) RMB'000 (Note 1)	Reclassification Adjustments (Unaudited) RMB'000 (Note 2)	Presentation Adjustments (Unaudited) RMB'000 (Note 3)	Adjusted Financial Information of Cloopen under the Group's Accounting Policies (Unaudited) RMB'000
Non-current assets					
Property and equipment	10,385	(3,742)	13,902		20,545
Intangible assets	14,294				14,294
Long-term investments	54,049	(40,884)		(13,165)	-
Interest in associates				13,165	13,165
Equity instruments at fair value through other comprehensive income		41,031			41,031
Investment Property		8,908			8,908
Operating lease right-of-use assets	13,992	(90)	(13,902)		-
Goodwill	54,427				54,427
Other non-current assets	3,528			(3,528)	-
Prepayments, deposits and other receivables				3,528	3,528
	150,675	**5,223**	-	-	**155,898**
Current assets					
Other financial assets	422,559				422,559
Inventories and other contract costs			2,907		2,907
Contract assets	26,107				26,107
Accounts receivable – third parties, net	143,421			(143,421)	-
Accounts receivable – a related party, net	704			(704)	-
Trade receivables				144,125	144,125
Amounts due from a related party	3,350			(3,350)	-
Prepayments, deposits and other receivables	109,455		(2,907)	3,350	109,898
Restricted bank deposits	4,502				4,502
Term deposits	545,368				545,368
Cash and cash equivalents	377,947				377,947
	1,633,413	-	-	-	**1,633,413**
Current liabilities					
Accounts payable	87,729				87,729
Contract liabilities	363,228				363,228
Lease liabilities	10,300				10,300
Amounts due to related parties	205			(205)	-
Accrued expenses and other payables	124,540			205	124,745
	586,002	-	-	-	**586,002**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31, 2023				
	Unadjusted Financial Information of Cloopen (Audited) RMB'000	**GAAP difference Adjustments (Unaudited) RMB'000 (Note 1)**	**Reclassification Adjustments (Unaudited) RMB'000 (Note 2)**	**Presentation Adjustments (Unaudited) RMB'000 (Note 3)**	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies (Unaudited) RMB'000**
Net current assets	**1,047,411**	**-**	**-**	**-**	**1,047,411**
Total assets less current liabilities	**1,198,086**	**5,223**	**-**	**-**	**1,203,309**
Non-current liabilities					
Lease liabilities	2,164				2,164
Deferred income tax liabilities	857	22			879
Other non-current liabilities	27				27
	3,048	**22**	**-**	**-**	**3,070**
NET ASSETS	**1,195,038**	**5,201**	**-**	**-**	**1,200,239**
CAPITAL AND RESERVES					
Class A Ordinary Shares	195			-195	-
Class B Ordinary Shares	17			-17	-
Share capital				212	212
Reserves				1,205,955	1,205,955
Additional paid-in capital	11,210,542	(17,974)		(11,192,568)	-
Treasury stock	(120,899)			120,899	-
Accumulated other comprehensive loss	(57,327)	2,743		54,584	-
Accumulated deficit	(9,831,562)	20,432		9,811,130	-
Total equity attributable to the Cloopen	**1,200,966**	**5,201**	**-**	**-**	**1,206,167**
Non-controlling interests	(5,928)				(5,928)
TOTAL EQUITY	**1,195,038**	**5,201**	**-**	**-**	**1,200,239**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31, 2024				
	Unadjusted Financial Information of Cloopen (Audited) RMB'000	GAAP difference Adjustments (Unaudited) RMB'000 (Note 1)	Reclassification Adjustments (Unaudited) RMB'000 (Note 2)	Presentation Adjustments (Unaudited) RMB'000 (Note 3)	Adjusted Financial Information of Cloopen under the Group's Accounting Policies (Unaudited) RMB'000
Non-current assets					
Property and equipment	8,173	(3,393)	10,843		15,623
Intangible assets	11,609				11,609
Long-term investments	54,052	(40,884)		(13,168)	-
Interest in associates				13,168	13,168
Equity instruments at fair value through other comprehensive income		51,786			51,786
Investment Property		8,593			8,593
Operating lease right-of-use assets	10,800	43	(10,843)		-
Goodwill	54,427				54,427
Other non-current assets	3,639			(3,639)	-
Prepayments, deposits and other receivables				3,639	3,639
	142,700	16,145	-	-	**158,845**
Current assets					
Other financial assets	291,280				291,280
Inventories and other contract costs			4,181		4,181
Contract assets	27,752				27,752
Accounts receivable – third parties, net	120,374			(120,374)	-
Accounts receivable – a related party, net	389			(389)	-
Trade receivables				120,763	120,763
Amounts due from a related party	2,590			(2,590)	-
Prepayments, deposits and other receivables	119,996		(4,181)	2,590	118,405
Restricted bank deposits	10,396				10,396
Term deposits	222,783				222,783
Cash and cash equivalents	640,119				640,119
	1,435,679	-	-	-	**1,435,679**
Current liabilities					
Accounts payable	95,485				95,485
Contract liabilities	306,112				306,112
Lease liabilities	5,843				5,843
Amounts due to related parties	154			(154)	-
Accrued expenses and other payables	101,009			154	101,163
	508,603	-	-	-	**508,603**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31, 2024				
	Unadjusted Financial Information of Cloopen (Audited) RMB'000	GAAP difference Adjustments (Unaudited) RMB'000 (Note 1)	Reclassification Adjustments (Unaudited) RMB'000 (Note 2)	Presentation Adjustments (Unaudited) RMB'000 (Note 3)	Adjusted Financial Information of Cloopen under the Group's Accounting Policies (Unaudited) RMB'000
Net current assets	**927,076**	**-**	**-**	**-**	**927,076**
Total assets less current liabilities	**1,069,776**	**16,145**	**-**	**-**	**1,085,921**
Non-current liabilities					
Lease liabilities	4,731				4,731
Deferred income tax liabilities	466	1,635			2,101
	5,197	**1,635**	**-**	**-**	**6,832**
NET ASSETS	**1,064,579**	**14,510**	**-**	**-**	**1,079,089**
CAPITAL AND RESERVES					
Class A Ordinary Shares	195			(195)	-
Class B Ordinary Shares	17			(17)	-
Share capital				212	212
Reserves				1,088,875	1,088,875
Additional paid-in capital	11,225,945	(4,788)		(11,221,157)	-
Treasury stock	(120,899)			120,899	-
Accumulated other comprehensive loss	(56,362)	11,885		44,477	-
Accumulated deficit	(9,974,319)	7,413		9,966,906	-
Total equity attributable to the Cloopen	**1,074,577**	**14,510**	**-**	**-**	**1,089,087**
Non-controlling interests	(9,998)				(9,998)
TOTAL EQUITY	**1,064,579**	**14,510**	**-**	**-**	**1,079,089**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31, 2025				
	Unadjusted Financial Information of Cloopen (Audited) RMB'000	GAAP difference Adjustments (Unaudited) RMB'000 (Note 1)	Reclassification Adjustments (Unaudited) RMB'000 (Note 2)	Presentation Adjustments (Unaudited) RMB'000 (Note 3)	Adjusted Financial Information of Cloopen under the Group's Accounting Policies (Unaudited) RMB'000
Non-current assets					
Property and equipment	6,088	(3,044)	13,862		16,906
Intangible assets	9,271				9,271
Long-term investments	53,269	(40,884)		(12,385)	-
Interest in associates				12,385	12,385
Equity instruments at fair value through other comprehensive income		68,877			68,877
Investment Property		8,080			8,080
Operating lease right-of-use assets	14,122	(260)	(13,862)		-
Goodwill	54,427				54,427
Other non-current assets	2,925			(2,925)	-
Prepayments, deposits and other receivables				2,925	2,925
	140,102	**32,769**	**-**	**-**	**172,871**
Current assets					
Other financial assets	359,734				359,734
Inventories and other contract costs			120		120
Contract assets	57,290				57,290
Accounts receivable – third parties, net	139,651			(139,651)	-
Accounts receivable – a related party, net	488			(488)	-
Trade receivables				140,139	140,139
Amounts due from a related party	3,345			(3,345)	-
Prepayments, deposits and other receivables	111,954		(120)	3,345	115,179
Restricted bank deposits	28,107				28,107
Term deposits	211,463				211,463
Cash and cash equivalents	324,134				324,134
	1,236,166	**-**	**-**	**-**	**1,236,166**
Current liabilities					
Accounts payable	129,831				129,831
Contract liabilities	299,483				299,483
Lease liabilities	8,093				8,093
Amounts due to related parties	391			(391)	-
Accrued expenses and other payables	102,675			391	103,066
	540,473	**-**	**-**	**-**	**540,473**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31, 2025				
	Unadjusted Financial Information of Cloopen (Audited) RMB'000	**GAAP difference Adjustments (Unaudited) RMB'000 (Note 1)**	**Reclassification Adjustments (Unaudited) RMB'000 (Note 2)**	**Presentation Adjustments (Unaudited) RMB'000 (Note 3)**	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies (Unaudited) RMB'000**
Net current assets	**695,693**	**-**	**-**	**-**	**695,693**
Total assets less current liabilities	**835,795**	**32,769**	**-**	**-**	**868,564**
Non-current liabilities					
Lease liabilities	3,785				3,785
Deferred income tax liabilities	76	4,199			4,275
	3,861	**4,199**	**-**	**-**	**8,060**
NET ASSETS	**831,934**	**28,570**	**-**	**-**	**860,504**
CAPITAL AND RESERVES					
Class A Ordinary Shares	195			(195)	-
Class B Ordinary Shares	17			(17)	-
Share capital				212	212
Reserves				869,741	869,741
Additional paid-in capital	11,239,347	(6,016)		(11,233,331)	-
Treasury stock	(120,899)			120,899	-
Accumulated other comprehensive loss	(63,608)	26,412		37,196	-
Accumulated deficit	(10,213,669)	8,174		10,205,495	-
Total equity attributable to the Cloopen	**841,383**	**28,570**	**-**	**-**	**869,953**
Non-controlling interests	(9,449)				(9,449)
TOTAL EQUITY	**831,934**	**28,570**	**-**	**-**	**860,504**

Note:

1. GAAP difference adjustments

(i) Investment Property

The Cloopen Group owns offices held for rental purposes, which are included in property, plant and equipment with the cost model applied under U.S. GAAP. According to IAS40.30, an entity shall select its accounting policy either the fair value model or the cost model and shall apply that policy to all of its investment property. The Group elected to apply the fair value model to account for its investment property, and gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Had Cloopen adopted the Group's Accounting Policies, the impacts of the adjustments on the Cloopen's consolidated statements of financial position as at December 31, 2023, 2024 and 2025, and the consolidated statements of profit or loss and consolidated statements of comprehensive loss for the three years ended December 31, 2023, 2024 and 2025 are set out below.

Consolidated Statement of Financial Position	**As at December 31,**		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
	Unaudited	**Unaudited**	**Unaudited**
	Dr. / (Cr.)	**Dr. / (Cr.)**	**Dr. / (Cr.)**
Property and equipment	(3,742)	(3,393)	(3,044)
Investment Property	8,908	8,593	8,080
Accumulated other comprehensive loss	(6,118)	(6,118)	(6,118)
Accumulated deficit	952	918	1,082

Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss	**For the year ended December 31,**		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
	Unaudited	**Unaudited**	**Unaudited**
	Dr. / (Cr.)	**Dr. / (Cr.)**	**Dr. / (Cr.)**
Other net loss	1,301	315	513
General and administrative expenses	(349)	(349)	(349)

The fair value of the investment property for Relevant Periods has been determined based on a valuation carried out by an independent valuer unrelated to the Group and the Cloopen Group.

(ii) Leases

Under U.S. GAAP, the amortization of the right-of-use ("ROU") assets and interest expenses related to the lease liabilities are recorded collectively as lease costs included in the income statement on a straight-line basis over the lease term, which is unlike IFRS, under this method, amortization each period is calculated as the difference between the straight-line lease cost for the period and the periodic accretion of the lease liability using the effective interest method. According to IFRS 16 and the Group's Accounting Policies, ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, and interest expenses on the lease liabilities are calculated using the incremental borrowing rate at the lease commencement date and recognised in the line of "net finance income".

Had Cloopen adopted the Group's Accounting Policies, the differences between the amortization of ROU assets for each period were included in the "GAAP difference adjustments" of the Reconciliation statement, and the interest expenses on lease liabilities have been reclassified and presented in the line of "net finance income". The detailed adjustment information is set out below.

Consolidated Statement of Financial Position	**As at December 31,**		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
	Unaudited	**Unaudited**	**Unaudited**
	Dr. / (Cr.)	**Dr. / (Cr.)**	**Dr. / (Cr.)**
Operating lease right-of-use assets	(90)	43	(260)
Accumulated deficit	90	(43)	260

Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss	**For the year ended December 31,**		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
	Unaudited	**Unaudited**	**Unaudited**
	Dr. / (Cr.)	**Dr. / (Cr.)**	**Dr. / (Cr.)**
Revenue	382	398	252
Other net income	(382)	(398)	(252)
Research and development expenses	(665)	(309)	(217)
General and administrative expenses	(99)	(85)	(107)
Selling and marketing expenses	(381)	(268)	(188)
Interest expense	1,235	529	815

(iii) Share-based payments

Under Cloopen's Accounting Policies, share-based awards granted to the founders and employees in the form of restricted shares are measured at the grant date fair value of the awards, and are recognized as compensation expenses using the graded-vesting schedules over the requisite service period for each separately vesting portion (or tranche) of the award. Cloopen has elected to recognize the effect of forfeitures in compensation cost when they occur. Where the required vesting conditions are not met and the awards are forfeited, previously

recognized compensation expenses relating to such awards are reversed. According to IFRS 2.33, at the end of each reporting period, the Group shall revise its estimate of the number of equity instruments expected to vest based on an assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss, so that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to the share-based payments reserve.

Had Cloopen adopted the Group's Accounting Policies, the Directors would have reassessed the estimate of the number of equity instruments expected to vest, taking into account the forfeiture rate observed during the period from 2022 to 2025. The impact of the adjustments on the Cloopen's consolidated statements of financial position as at December 31, 2023, 2024 and 2025, and the consolidated statements of profit or loss and consolidated statements of comprehensive loss for the three years ended December 31, 2023, 2024 and 2025 are set out below.

Consolidated Statement of Financial Position	**As at December 31,**		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
	Unaudited	**Unaudited**	**Unaudited**
	Dr. / (Cr.)	**Dr. / (Cr.)**	**Dr. / (Cr.)**
Additional paid-in capital	17,974	4,788	6,016
Accumulated deficit	(17,974)	(4,788)	(6,016)

Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss	**For the year ended December 31,**		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
	Unaudited	**Unaudited**	**Unaudited**
	Dr. / (Cr.)	**Dr. / (Cr.)**	**Dr. / (Cr.)**
Cost of revenues	4	-	-
Research and development expenses	4,753	4,667	786
General and administrative expenses	11,064	5,724	(53)
Selling and marketing expenses	3,321	2,795	(1,961)

(iv) Other equity investments at fair value through other comprehensive income ("FVOCI")

Cloopen elects the measurement alternative under ASC 321 and measures investments in "equity investment" at cost, adjusted for changes resulting from impairments and observable price changes in orderly transactions for identical or similar securities of the same issuer. The directors of Cloopen reviews information in periodic financial statements and other documentation received from the investees to determine whether observable price changes have occurred. Under the Group's Accounting Policies, investments in equity securities are classified as fair value through profit or loss, unless the investment are not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income, and are not subject to impairment assessment.

For other equity investments of the Cloopen Group, the Directors believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run, accordingly, the Directors have elected to designate these investments in equity instruments as at FVOCI.

Had Cloopen adopted the Group's Accounting Policies, the impacts of the adjustments on the Cloopen's consolidated statements of financial position as at December 31, 2023, 2024 and 2025, and the consolidated statements of profit or loss and consolidated statements of comprehensive loss for the three years ended December 31, 2023, 2024 and 2025 are set out below.

Consolidated Statement of Financial Position	**As at December 31,**		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
	Unaudited	**Unaudited**	**Unaudited**
	Dr. / (Cr.)	**Dr. / (Cr.)**	**Dr. / (Cr.)**
Long-term investments	(40,884)	(40,884)	(40,884)
Equity instruments at fair value through other comprehensive income	41,031	51,786	68,877
Deferred income tax liabilities	(22)	(1,635)	(4,199)
Accumulated other comprehensive loss/(gain)	3,375	(5,767)	(20,294)
Accumulated deficit	(3,500)	(3,500)	(3,500)

Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss	**For the year ended December 31,**		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
	Unaudited	**Unaudited**	**Unaudited**
	Dr. / (Cr.)	**Dr. / (Cr.)**	**Dr. / (Cr.)**
Impairment loss of long-term investments	(3,500)	-	-
Fair value loss/(gain) on investments in equity instruments at fair value through other comprehensive income	5,315	(9,142)	(14,527)

The fair value of other equity investments has been determined based on a valuation carried out by an independent valuer unrelated to the Group and the Cloopen Group.

2. Reclassification adjustments

(i) Contract costs

Under Cloopen's Accounting Policies, contract costs are presented under the line item "Prepaid expense and other current assets" in the consolidated balance sheets. Under the Group's Accounting Policies, the costs to fulfill a contract are capitalized if they (i) relate directly to an existing contract or to a specifically identifiable anticipated contract, (ii) generate or enhance resources for future delivery of goods or services, and (iii) are expected to be recoverable. Such capitalised costs are presented under the line item of "Inventories and other contract costs". Therefore, the contract costs, amounted to RMB2,907,000, RMB4,181,000 and RMB120,000 as at December 31, 2023, 2024 and 2025, have been reclassified accordingly and included in the Reconciliation set out above.

(ii) ROU assets

Under the Cloopen's Accounting Policies, ROU assets are presented as a separate line item in the consolidated balance sheets. Under the Group's Accounting Policies, ROU assets are included within property, plant and equipment, the same line item that would be used if the underlying assets were owned outright. Therefore, ROU assets, amounted to RMB13,902,000, RMB10,843,000 and RMB13,862,000 as at December 31, 2023, 2024 and 2025, have been reclassified into the property, plant and equipment line item in the Reconciliation set out above.

(iii) Impairment losses of trade receivables, contract assets and other receivables reversed/(recognized)

Under Cloopen's Accounting Policies, the Allowance for Doubtful Accounts is presented within General and administrative expenses. According to IAS 1.82 and IFRS 7.20A, the profit or loss section or the statement of profit or loss shall present line items for impairment losses (including reversals of impairment losses or impairment gains) recognised in accordance with Section 5.5 of IFRS 9. Therefore, the impairment losses/(reversals) of impairment losses relating to trade receivables, contract assets and other receivables, amounted to RMB16,456,000, RMB (3,875,000) and RMB2,802,000 for each of the years ended December 31, 2023, 2024 and 2025, have been reclassified and presented as a separate line item.

3. Presentation adjustments

These adjustments for each of the Relevant Periods are presentation adjustments made to bring the Cloopen Historical Financial Information in line with the presentation adopted in the Group's consolidated financial statements, as if the former is prepared under the Group's Accounting Policies.

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF DMALL INC.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Dmall Inc. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at December 31, 2025 and related notes as set out in Part A of Appendix IIIB to the circular dated June 30, 2026 (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix IIIB to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 34.03% effective economic interest in Cloopen Group Holding Limited (the "Acquisition") on the Group's assets and liabilities as at December 31, 2025 as if the Acquisition had taken place at December 31, 2025. As part of this process, information about the Group's assets and liabilities as at December 31, 2025 has been extracted by the Directors from the consolidated financial statements of the Company for the year then ended, on which an audit report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at December 31, 2025 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

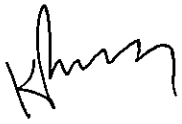
Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.



Certified Public Accountants
Hong Kong
June 30, 2026

新榮會計師事務所有限公司
GTG CPA Limited
Tel: (852) 3793 4062 Email: info@gtgcpa.com
Address: Room 1803, 18/F, Lemmi Centre, 50 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong

30 June 2026

The Board of Directors
Dmall Inc.
Floor 15, Block B
Haidian Culture and Art Building
No. 28, Zhongguancun Street, Haidian District
Beijing, China

Dear Sirs,

Dmall Inc. ("the Company") and its subsidiaries ("the Group")
Major transaction - acquisition of equity interest in Cloopen Group Holding Limited ("Cloopen", together with its subsidiaries and consolidated affiliated entities, the "Cloopen Group")

We hereby consent and confirm that we have not withdrawn our consent to the inclusion in the circular dated 30 June 2026 issued by the Company (the "Circular") in connection with the proposed acquisition of equity interest in Cloopen, of (a) our independent practitioner's limited assurance report on the reconciliation statement of the Cloopen Group in the Circular, and (b) the references thereto and to ourselves, in the form and context in which they are included.

Yours faithfully,

GTG CPA Limited

GTG CPA Limited
Certified Public Accountants

Hong Kong

KPMG
8th Floor, Prince's Building
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G P O Box 50, Hong Kong
Telephone +852 2522 6022
Fax +852 2845 2588
Internet kpmg.com/cn

The Board of Directors
Dmall Inc.
Craigmuir Chambers
P.O. Box 71
Road Town, Tortola
VG 1110, British Virgin Islands

Your ref:

June 30, 2026

Dear Sirs

We refer to the circular dated June 30, 2026 in connection with the proposed acquisition of equity interest of Cloopen Group Holding Limited by Dmall Inc. (the "Company") (the "Circular"), a copy of which is attached and stamped by us on its front cover for the purpose of identification.

We hereby consent to the inclusion of our report dated June 30, 2026 on the pro forma financial information as at December 31, 2025 in the Circular, and the references to our name in the form and context in which they are included.

Yours faithfully

Certified Public Accountants
Hong Kong

KPMG, a Hong Kong (SAR) partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited,

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Dmall Inc.**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

Dmall Inc.

多点数智有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 2586)

MAJOR TRANSACTION
ACQUISITION OF EQUITY INTEREST IN CLOOPEN GROUP HOLDING LIMITED

KPMG FOR IDENTIFICATION ONLY HONG KONG

Capitalised terms used in this cover page shall bear the same meanings as those defined in the section headed "Definitions" in this circular. A letter from the Board is set out on pages 7 to 52 of this circular.

June 30, 2026

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"ADSs"	American depositary shares of Cloopen, each of which represents six Class A Cloopen Shares;
"Agreements"	the Dmall Equity Commitment Letter, the Dmall Limited Guarantee and the Interim Investors Agreement;
"associate"	has the meaning ascribed thereto under the Listing Rules;
"Board"	the board of Directors;
"China" or "PRC"	the People's Republic of China, and for the purposes of this circular only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan;
"Class A Cloopen Shares"	Class A ordinary shares of Cloopen with a par value of US$0.0001 per share, each of which entitles the holder thereof to one vote;
"Class B Cloopen Shares"	Class B ordinary shares of Cloopen with a par value of US$0.0001 per share, each of which entitles the holder thereof to ten votes;
"Cloopen"	Cloopen Group Holding Limited (OTC: RAASY), a company incorporated under the laws of the Cayman Islands and the ADSs of which are quoted on the OTC market in the United States;
"Cloopen Group"	Cloopen and its subsidiaries and consolidated affiliated entities;
"Cloopen Shareholder(s)"	Holders of Cloopen Shares;
"Cloopen Shares"	Class A Cloopen Shares and Class B Cloopen Shares;
"Companies Act"	the Companies Act (Revised) of the Cayman Islands;
"Company"	Dmall Inc. (多点数智有限公司), a business company incorporated in the British Virgin Islands and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2586);
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules;

"Debt Commitment Letter"	the debt commitment letter dated May 12, 2026 (EST) executed and delivered by the Financing Bank to the Parentco in connection with the Proposed Privatization;
"Director(s)"	the director(s) of the Company;
"Dmall Equity Commitment Letter"	the Equity Commitment Letter dated May 12, 2026 (EST) executed and delivered by the Purchaser to the Parentco;
"Dmall Limited Guarantee"	the Limited Guarantee dated May 12, 2026 (EST) entered into by the Purchaser in favour of Cloopen;
"Equity Commitment Letter(s)"	the equity commitment letter(s) to be executed and delivered by the Equity Investor(s) to the Parentco in connection with the Proposed Privatization, which shall be in substantially identical form (except for the definition of "Commitment" thereunder);
"Equity Investor"	each party who has executed and delivered an Equity Commitment Letter to the Parentco in connection with the Proposed Privatization. As at the Latest Practicable Date and save for the Purchaser, the Initial Sponsor and Mr. Sun's Entity, there is no other Equity Investor;
"EST"	Eastern Standard Time;
"Financing Bank"	China Minsheng Banking Corp., Ltd. Shanghai Pilot Free Trade Zone Branch (中國民生銀行股份有限公司上海自貿試驗區分行);
"Global Offering"	the global offering of the Company's Shares pursuant to, among others, the Prospectus;
"Group"	the Company and its subsidiaries;
"HKICPA"	Hong Kong Institute of Certified Public Accountants;
"Holdco"	AutumnX Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands and, as of the Latest Practicable Date, a wholly owned subsidiary of Parentco;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"IFRS Accounting Standards"	IFRS Accounting Standards issued by the International Accounting Standards Board

"Initial Sponsor"	Trustbridge Partners VII, L.P., an exempted limited partnership organized under the Laws of the Cayman Islands;
"Investor"	each of (i) the Initial Sponsor, (ii) the Management Party, (iii) each Rollover Shareholder, and (iv) each Equity Investor;
"Latest Practicable Date"	June 22, 2026, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained in this circular;
"Limited Guarantee(s)"	the limited guarantees to be entered into by the Investors (or their applicable affiliates) in favour of Cloopen in connection with the Proposed Privatization, which shall be in substantially identical form (except for the definition of "Cap" thereunder);
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Merger"	the merger between Merger Sub and Cloopen pursuant to the Merger Agreement;
"Merger Agreement"	the agreement and plan of merger dated May 12, 2026 (EST) entered into between the Parent Parties and Cloopen, pursuant to which Merger Sub will merge with and into Cloopen, with Cloopen continuing as the surviving company and becoming a wholly-owned subsidiary of Holdco, upon the terms and subject to the conditions set forth therein;
"Merger Completion"	the completion of the Merger according to the terms of the Merger Agreement;
"Merger Sub"	SummerX Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands and, as of the Latest Practicable Date, a wholly owned subsidiary of Holdco;
"Merger Transaction Documents"	the Equity Commitment Letters, the Debt Commitment Letter (and/or, if applicable, any alternative financing documents), the Limited Guarantees, the Interim Investors Agreement, the Support Agreement or any other document contemplated thereby or any document or instrument delivered in connection thereunder or under the Merger Agreement;

"Mr. Sun" or "Management Party"	Changxun Sun, the founder and chief executive officer of Cloopen;
"Mr. Sun's Entity"	Cloopen Co., Ltd., a company wholly-owned by Mr. Sun;
"OTC market"	over-the-counter market;
"Parent Parties"	Parentco, Holdco and Merger Sub;
"Parent Termination Fee"	a termination fee of US$3,202,319 to which Cloopen is entitled to under the Merger Agreement in certain circumstances where the Merger Agreement is terminated due to certain failures on the part of the Parent Parties;
"Parentco"	SpringX Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands;
"Proposed Privatization"	the proposed going private transaction in respect of Cloopen as set out in the preliminary non-binding proposal letter dated December 22, 2025 from Mr. Sun and the Initial Sponsor to the board of directors of Cloopen, under which it was proposed Mr. Sun and the Initial Sponsor will acquire all of the outstanding Class A Cloopen Shares and Class B Cloopen Shares (including Cloopen Shares represented by the ADSs) that are not already beneficially owned by Mr. Sun and the Initial Sponsor or their affiliates, for a purchase price of US$0.4940 per Cloopen Share, or US$2.9641 per ADS, in cash, subject to certain conditions;
"Prospectus"	the prospectus of the Company dated November 28, 2024;
"Purchaser"	Retail Technology Asia Limited, a company incorporated in Hong Kong and an indirectly wholly-owned subsidiary of the Company;
"RMB"	Renminbi, the lawful currency of China;

"Rollover Shareholder(s)"	a Supporting Shareholder who, pursuant to the Support Agreement, has agreed to roll over its Cloopen Shares (or ADS) to Holdco (by having such Cloopen Shares (or ADS) cancelled in exchange for newly issued shares of Holdco). As at the Latest Practicable Date, Rollover Shareholders consist of (i) Trustbridge Partners V, L.P.; (ii) Mr. Sun's Entity; (iii) Flawless Success Limited, a nominee of an employee incentive trust that holds shares for and on behalf of the grantees under Cloopen's share incentive plans issued due to exercise of options, the trustee of which is Kastle Limited and the beneficiaries are Changxun Sun, Xiegang Xiong, Yipeng Li, Cheng Luo; (iv) Image Frame Investment (HK) Limited, which is ultimately controlled by Tencent Holdings Limited. Tencent Holdings Limited has been listed on the Main Board of the Hong Kong Stock Exchange since June 16, 2004 (stock code: 700); (v) Novo Investment HK Limited, which is wholly owned by Shenzhen Nuohe Investment Partnership Enterprise (Limited Partnership) (深圳諾河投資合夥企業(有限合夥)) ("**Shenzhen Nuohe**"). The general partner of Shenzhen Nuohe is China Reform Venture Capital Investment Management (Shenzhen) Ltd. (國新風險投資管理(深圳)有限公司), which is in turn ultimately controlled by the State Council of the PRC. Shenzhen Nuohe has four limited partners, namely, China State-owned Capital Venture Capital Fund Co., Ltd. (中國國有資本風險投資基金股份有限公司), Shenzhen Nuoyun Investment Partnership Enterprise (Limited Partnership) (深圳諾雲投資合夥企業(有限合夥)), Shenzhen Nuoyin Investment Partnership Enterprise (Limited Partnership) (深圳諾銀投資合夥企業(有限合夥)), and Shenzhen Nuoyan Investment Partnership Enterprise (Limited Partnership) (深圳諾岩投資合夥企業(有限合夥)), and the ultimate beneficial owner of all of the limited partners is the State Council of the PRC; and (vi) Parantoux Vintage PE Ltd., the ultimate beneficial owner of which is Mr. Yang Diao;
"SEC"	the U.S. Securities and Exchange Commission;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	ordinary shares of the Company with a par value of US$0.0001 each;
"Shareholders"	holder(s) of the Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;

"Support Agreement"	the support agreement dated May 12, 2026 (EST) entered into between the Holdco, the Supporting Shareholders and the Management Party;
"Supporting Shareholders"	Trustbridge Partners V, L.P., Mr. Sun's Entity, Flawless Success Limited, Image Frame Investment (HK) Limited, Novo Investment HK Limited, and Parantoux Vintage PE Ltd., together with any shareholders of Cloopen who become a party to the Support Agreement;
"Top-up Subscription"	the placing of 35,400,000 existing Shares and the top-up subscription of 35,400,000 new Shares carried out by the Company, as disclosed in the Company's announcements dated July 16, 2025 and July 25, 2025;
"Transaction"	the Purchaser's participation in the Proposed Privatization as an Equity Investor pursuant to the Agreements;
"U.S.," "US" or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdictions;
"U.S. GAAP"	Generally Accepted Accounting Principles in the United States;
"US$"	United States dollars, the lawful currency of the United States; and
"%"	per cent.

Dmall Inc.
多点数智有限公司
(Incorporated in the British Virgin Islands with limited liability)
(Stock Code: 2586)

Executive Director:
Mr. Zhang Feng *(President)*

Non-executive Directors:
Mr. Curtis Alan Ferguson *(Chairman)*
Mr. Chen Zhiyu
Mr. Wang Zhenghao

Independent Non-executive Directors:
Dr. Hou Yang
Ms. Cai Lin
Dr. Mao Jiye
Mr. Li Wei

Registered office:
Craigmuir Chambers
P.O. Box 71
Road Town, Tortola
VG 1110, British Virgin Islands

Headquarters:
Floor 15, Block B
Haidian Culture and Art Building
No. 28, Zhongguancun Street
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Beijing, China

Principal place of business in Hong Kong:
31/F, Tower Two
Times Square, 1 Matheson Street
Causeway Bay
Hong Kong

June 30, 2026

To the Shareholders,

Dear Sir or Madam

MAJOR TRANSACTION
ACQUISITION OF EQUITY INTEREST IN
CLOOPEN GROUP HOLDING LIMITED

1. INTRODUCTION

Reference is made to the announcement of the Company dated May 12, 2026 in relation to, among others, the Transaction.

The purpose of this circular is to provide the Shareholders with, among other things, (i) further details relating to the Agreements and the Transaction, (ii) the financial information of the Group and the Cloopen Group, (iii) the unaudited pro forma financial information of the Group following the Merger becoming effective, and (iv) other information as required under the Listing Rules.

2. THE TRANSACTION

On May 12, 2026, EST (before trading hours of the OTC market in the United States; equivalent to May 12, 2026, Hong Kong time, after trading hours of the Stock Exchange), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreements with the relevant parties in relation to the Proposed Privatization of Cloopen, the ADSs of which are quoted on the OTC market in the United States.

Pursuant to the Agreements, the Purchaser conditionally agreed to participate in the Proposed Privatization as an Equity Investor (i.e. the Transaction), committing an aggregate cash purchase price (i.e. the Commitment) of US$36.0 million to purchase equity interests of Parentco. The final Commitment to be utilized, and therefore the corresponding equity interests in Parentco the Purchaser will acquire, is subject to potential adjustments (downward or upward) in accordance with the Dmall Equity Commitment Letter and the Interim Investors Agreement. Such adjustments may be made due to potential changes to the composition of the Investors (for example, there may be changes to the Rollover Shareholders or Equity Investor(s)), the size of the equity interest in Cloopen to be acquired by each Investor, and/or the final utilization of the debt financing (which may depend on factors such as how favorable the interest rate is and the level of demand for equity interests in Cloopen on the part of the Equity Investor(s)). The adjustment of the commitment amount of each Equity Investor is not inter-conditional on each other. The final utilization of the Commitment from the Company will be finally determined by the Initial Sponsor at the Merger Closing.

Each of the Agreements, and the overall Proposed Privatization, is subject to a number of conditions. Assuming all of the conditions are satisfied or waived according to the terms of the relevant agreement, and based on the expected utilization of the Commitment as of the Latest Practicable Date of approximately US$35,163,980, following the Merger Completion and the Merger taking effect, the Purchaser will hold approximately 49.79% of the equity interest in Parentco, which will in turn hold approximately 68.35% of the equity interest in Cloopen; that is, the Purchaser will hold an effective economic interest of approximately 34.03% in Cloopen.

Any upward adjustment of the Commitment is subject to the consent of the Purchaser. In the event an upward adjustment is effected, the Purchaser will not consent to any adjusted Commitment exceeding US$40.5 million; even if the Commitment is adjusted to such maximum amount, the Purchaser's equity interest in Parentco will not exceed 50% (as the other Investors' commitments will also increase). There is no expected minimum for the utilization of the Commitment or the equity interest in Parentco the Purchaser will acquire. As such, none of Parentco, Holdco and Cloopen will become a subsidiary of the Company and their financial results will not be consolidated into the accounts of the Group.

Background of the Proposed Privatization

Cloopen (OTC: RAASY) is a leading multi-capability cloud-based communications solution provider in China offering a full suite of cloud-based communications solutions, covering communications platform as a service (CPaaS), cloud-based contact centers, and cloud-based unified communications and collaborations. Its ADSs are currently quoted on the OTC market in the United States. For further information about Cloopen, please see the section headed "Information on the Parties" in this circular.

The board of directors of Cloopen has received a preliminary non-binding proposal letter dated December 22, 2025 (the "**Preliminary Proposal Letter**"), from Mr. Sun, Cloopen's founder and chief executive officer, and the Initial Sponsor, Trustbridge Partners VII, L.P., proposing to acquire all of the outstanding Class A Cloopen Shares and Class B Cloopen Shares (including Cloopen Shares represented by the ADSs) that are not already beneficially owned by Mr. Sun and the Initial Sponsor or their affiliates, for a purchase price of US$0.4940 per Cloopen Share (the "**Per Share Offer Price**"), or US$2.9641 per ADS, in cash in a going private transaction, subject to certain conditions (i.e. the Proposed Privatization).

The Proposed Privatization will be effected by way of a merger. It will be funded by equity financing, including rollover equity from the Rollover Shareholders and cash commitment from the Equity Investor(s), as well as debt financing from the Financing Bank. Below is an overview of the transaction structure and the key transaction documents of the Proposed Privatization:

(a) The Initial Sponsor has set up three special purpose vehicles for the merger: the Parentco, the Holdco (a wholly-owned subsidiary of the Parentco as of the Latest Practicable Date), and the Merger Sub (a wholly-owned subsidiary of the Holdco as of the Latest Practicable Date; together with Parentco and Holdco shall be hereinafter referred to as the Parent Parties).

(b) On May 12, 2026, EST, the Parent Parties and Cloopen entered into the Merger Agreement, pursuant to which Merger Sub will merge with and into Cloopen, with Cloopen continuing as the surviving company and becoming a wholly-owned subsidiary of Holdco, upon the terms and subject to the conditions set forth in the Merger Agreement.

(c) On May 12, 2026, EST, the Holdco, the Supporting Shareholders and the Management Party entered into a Support Agreement pursuant to which the Supporting Shareholders and the Management Party agreed to, among other things, (a) vote their respective Cloopen Shares (including Cloopen Shares represented by ADSs), together with any Cloopen Shares (including Cloopen Shares represented by ADSs) acquired by each of them or any of their respective Affiliates following the date thereof and prior to the Closing, in favor of the authorization and approval of the Merger Agreement and related documents and the consummation of the Transactions, including the Merger, and (b) cancel their respective certain portion of securities in Cloopen (including Cloopen Shares or ADSs and equity awards under the share plans of Cloopen (if any)) in exchange for shares in Holdco and the consideration for the equity awards in accordance with the terms of the Support Agreement and the Merger Agreement.

(d) On May 12, 2026, EST, the Purchaser, as an Equity Investor, executed and delivered the Dmall Equity Commitment Letter to Parentco, pursuant to which it committed certain cash amount to purchase equity interests of Parentco (subject to adjustment in accordance with the terms of such letter and the Interim Investors Agreement).

(e) On May 12, 2026, EST, Cloopen (as the guaranteed party) entered into a Limited Guarantee with each of the Initial Sponsor and the Equity Investor(s) (each as a guarantor), which are in substantially identical form (except for the definition of "**Cap**" thereunder), pursuant to which the guarantor agreed to, among other things, guarantee the due and punctual performance and discharge of certain payment obligations of Parentco or Holdco to Cloopen under the Merger Agreement.

(f) On May 12, 2026, EST, the Initial Sponsor, the Management Party, the Parent Parties and the Equity Investor(s) entered into the Interim Investors Agreement to govern the actions of Parent Parties and the relationship among the parties thereto with respect to the Merger Agreement, the Equity Commitment Letter(s), the Support Agreement and the Limited Guarantees, and the transactions contemplated by each.

(g) On May 12, 2026, EST, the Financing Bank executed and delivered the Debt Commitment Letter to and in favor of Parentco, pursuant to which the Financing Bank committed to arrange and underwrite certain term loan facilities of up to US$42 million which will be drawn down by Parentco immediately prior to the Merger Closing in connection with the Merger.

The Purchaser has conditionally agreed to participate in the Proposed Privatization as an Equity Investor and has entered into the Agreements, namely, the Dmall Equity Commitment Letter, the Dmall Limited Guarantee and the Interim Investors Agreement, on May 12, 2026, EST (before trading hours of the OTC market in the United States; equivalent to May 12, 2026, Hong Kong time, after trading hours of the Stock Exchange). The principal terms of the Agreements are summarized as follows.

Dmall Equity Commitment Letter

Date: May 12, 2026 (EST)

Parties: (i) the Parentco; and

(ii) the Purchaser

Subject matter

Upon the terms and subject to the conditions set forth in the Dmall Equity Commitment Letter, the Purchaser irrevocably commits and agrees that, at or prior to the Merger Closing, it shall purchase (directly or indirectly through one or more intermediate entities) equity interests of Parentco at an aggregate cash purchase price of US$36.0 million (i.e. the Commitment). The Commitment, together with the commitment(s) of the other Equity Investor(s) under their Equity Commitment Letter(s) (the "**Aggregate Commitment**") and the net proceeds from debt financing, will solely be used to fund, to the extent necessary to fund, the consideration for the Merger and other related amounts in connection with the consummation of the transactions under Merger Transaction Documents (which shall not include the Parent Termination Fee or any Guaranteed Obligations (defined below)) (collectively, the "**Closing Payments**").

If Parentco does not require all of the Aggregate Commitment to pay the Closing Payments and to consummate the transactions under the Merger Transaction Documents, the amount of the Commitment of the Purchaser may be reduced by the Initial Sponsor in accordance with the Interim Investors Agreement.

Consideration

The Commitment for the Purchaser (which is currently US$36.0 million and subject to adjustment according to the Interim Investors Agreement) shall be paid to Parentco in immediately available funds at or prior to the Merger Closing. As of the Latest Practicable Date, the Commitment has not been paid.

Conditions precedent

The Commitment shall be subject to the satisfaction of the following conditions:

(a) the satisfaction or waiver, if permissible, of each of the conditions to the Parent Parties' obligations to consummate the Merger Closing set forth in the Merger Agreement (in each case, other than any conditions that by their nature are to be satisfied at the Merger Closing, but subject to the prior or substantially concurrent satisfaction or waiver of such conditions);

(b) the debt financing portion has been funded or will be funded at the Merger Closing if the Aggregate Commitment is funded;

(c) the substantially contemporaneous funding to Parentco of the commitments of the other Equity Investor(s) contemplated by their respective Equity Commitment Letter(s); and

(d) the substantially contemporaneous consummation of the Merger Closing.

As of the Latest Practicable Date, none of the above conditions precedent has been fulfilled.

Termination

The Dmall Equity Commitment Letter will terminate automatically and immediately upon the earliest of:

(a) the effective time of the Merger (at which time the Purchaser's obligation will be discharged, subject to the performance of such obligation);

(b) the termination of the Merger Agreement in accordance with its terms;

(c) Cloopen or any related party of Cloopen (or any person claiming by, through or for the benefit of any of them) asserting in writing a claim that (i) the Purchaser's, Parentco's or any of their respective affiliates' liability under or in respect of the Dmall Equity Commitment Letter, the Merger Agreement, the Dmall Limited Guarantee, any of the transactions contemplated thereby and/or any related matters is not limited to the amount of the Commitment or Cap (defined below), or that the limitation of such liability to the amount of the Commitment or Cap is illegal, invalid or unenforceable, in whole or in part or (ii) the liability of the Purchaser under or in respect of the Dmall Limited Guarantee is not limited in accordance with the limitations set forth therein, or that any of such limitations is illegal, invalid or unenforceable, in whole or in part, and

(d) Cloopen or any related party of Cloopen (or any person claiming by, through or for the benefit of any of them) asserting in writing a claim against the Purchaser (or any non-recourse party as set out in the Dmall Limited Guarantee) under or in connection with the Dmall Equity Commitment Letter or any other Merger Transaction Document or any of the transactions contemplated hereby or thereby and/or any related matters (other than asserting certain retained claims as set out in the Dmall Limited Guarantee).

Dmall Limited Guarantee

Date: May 12, 2026 (EST)

Parties: (i) the Purchaser (as guarantor); and

(ii) Cloopen (as guaranteed party)

Subject matter

The Purchaser absolutely, irrevocably and unconditionally guarantees to Cloopen, on the terms and conditions set forth in the Dmall Limited Guarantee, the due and punctual performance and discharge of the Pro Rata Percentage (as defined below) of certain payment obligations of Parentco or Holdco to Cloopen in respect of the Parent Termination Fee, reasonable out-of-pocket costs incurred by Cloopen and its subsidiaries upon the valid termination of the Merger Agreement and indemnity relating to the debt financing arrangement under the Merger Agreement (collectively and without regard to the Pro Rata Percentage, the "**Guaranteed Obligations**"), if, as and when those obligations become payable. The Purchaser's aggregate liability under the Dmall Limited Guarantee shall not exceed 49.79253% (the "**Pro Rata Percentage**") of the amount of (x) US$3,202,319 (being the Parent Termination Fee), plus (y) certain costs, expenses and interests payable by Parent Parties to Cloopen under the Merger Agreement (such as reasonable out-of-pocket costs incurred by Cloopen and its subsidiaries upon the valid termination of the Merger Agreement and interests accrued on any due and unpaid Parent Termination Fee), less (z) any amount actually paid by or on behalf of Parentco or Holdco to Cloopen (the "**Cap**"). (The Pro Rata Percentage is equal to the equity interest percentage in Parentco the Purchaser would be able to acquire if the Commitment is utilized in full.) As of the Latest Practicable Date, no payment has been paid by or on behalf of Parentco or Holdco to Cloopen.

If Parentco fails to perform or discharge, or cause to be performed or discharged, any Guaranteed Obligations when due, then the Purchaser shall, on Cloopen's demand in writing, pay to Cloopen the Pro Rata Percentage of the Guaranteed Obligations (subject to the Cap).

Termination

The Dmall Limited Guarantee shall automatically and immediately terminate and the Purchaser shall have no further obligations under or in connection therewith as of the earliest of:

(a) the effective time of the Merger;

(b) the payment by the Purchaser in full to Cloopen of the Pro Rata Percentage of the Guaranteed Obligations;

(c) the termination of the Merger Agreement in accordance with its terms by mutual consent of the parties thereto or in other circumstances where the Parent Termination Fee or other payments pursuant to the Merger Agreement is not payable; and

(d) 60 days following the termination of the Merger Agreement in accordance with its terms under circumstances in which Holdco would be obligated to pay the Parent Termination Fee in accordance with the terms of the Merger Agreement (unless Cloopen shall have asserted a claim for any Parent Termination Fee or Guaranteed Obligation prior to the expiration of such 60-day period, in which case the Dmall Limited Guarantee shall terminate upon the final, non-appealable resolution of such action and satisfaction by the Purchaser of any obligations finally determined or agreed to be owed by it).

In the event Cloopen or any related party of Cloopen asserts in an action that (i) any provisions of the Dmall Limited Guarantee (including the Cap), are illegal, invalid or unenforceable, in whole or in part, or the Purchaser is liable in respect of any Guaranteed Obligations in excess of or to a greater extent than the Cap, (ii) any provisions of the Dmall Equity Commitment Letter (including any that limits the Purchaser's liability) are illegal, invalid or unenforceable, in whole or in part, or the Purchaser is liable thereunder in excess of or to a greater extent than its Commitment, or (iii) any theory of liability against any non-recourse party (set out in the Dmall Limited Guarantee) with respect to the Dmall Limited Guarantee or any other Merger Transaction Document or any of the transactions contemplated hereby or thereby and/or any related matters (other than asserting certain retained claims as set out in the Dmall Limited Guarantee) then, the obligations of the Purchaser under or in connection with the Dmall Limited Guarantee shall terminate *ab initio* and be null and void; if the Purchaser has previously made any payments under or in connection with the Dmall Limited Guarantee, it shall be entitled to recover and retain such payments; and the Purchaser (and any other non-recourse party) shall have no liability whatsoever to Cloopen in any way under or in connection with the Dmall Limited Guarantee or any other Merger Transaction Document or any of the transactions contemplated hereby or thereby and/or any related matters.

Interim Investors Agreement

Date: May 12, 2026 (EST)

Parties:

(i) the Initial Sponsor;

(ii) the Management Party and Mr. Sun's Entity;

(iii) the Parentco;

(iv) the Holdco;

(v) the Merger Sub; and

(vi) the Purchaser, as an Equity Investor

Subject of the transaction

The Interim Investors Agreement governs the actions of Parent Parties and the relationship among the parties thereto with respect to the Merger Agreement, the Equity Commitment Letter(s), the Support Agreement and the Limited Guarantees, and the transactions contemplated by each.

The key terms include, among other things:

(a) The Initial Sponsor may cause the Parent Parties to take any action or refrain from taking any action in respect of the Merger Agreement (including to comply with their obligations, satisfy their closing conditions or exercise their rights thereunder), provided, however, that the Initial Sponsor may not cause the Parent Parties to amend the Merger Agreement in a way that by its terms has an impact, economic or otherwise, on any Investor that is disproportionate to the impact, economic or otherwise, on the other Investors in a manner that is materially adverse to such Investor without such Investor's written consent. The Parent Parties shall not, and the Investors shall not permit them to, take any action with respect to the Merger Agreement (including determining to close the Merger) unless such action has been approved in advance in writing, after consultation with Mr. Sun in good faith, by the Initial Sponsor.

(b) The Parent Parties shall not, and the Initial Sponsor shall not permit them to: (i) modify or amend the Merger Agreement to increase or modify, in a manner materially adverse to the Parent Parties or the Investors, the form or amount of the Merger consideration or increase in any way the obligations under the Equity Commitment Letter(s); (ii) modify or waive, in a manner materially adverse to the Parent Parties or the Investors, any provisions of the Merger Agreement relating to the Parent Termination Fee or the aggregate cap on monetary damages recoverable by Cloopen; (iii) otherwise modify or amend any material terms and conditions of the Merger Transaction Documents, or (iv) materially modify the structure of the transactions under the Merger Transaction Documents, except with the prior written consent of the Initial Sponsor and, in each case of (i) and (ii), except with the prior written consent of the Initial Sponsor and Mr. Sun.

In the event that the Initial Sponsor determines to proceed with any of such action and any Investor (a "**Non-Consenting Investor**") declines to provide its consent thereto, the Initial Sponsor may nevertheless proceed with such action by terminating such Non-Consenting Investor's participation in the transactions under the Merger Transaction Documents (and such Non-Consenting Investor shall be released of its obligations under the Interim Investors Agreement, its applicable Equity Commitment Letter, its applicable limited guarantee and the Support Agreement (if applicable) or receive an indemnity in respect thereof). Upon the termination of a Non-Consenting Investor's participation in the Merger transactions, the Initial Sponsor may, at its sole discretion, offer the amount of such Non-Consenting Investor's commitment to one or more remaining Investors and/or one or more new investors, on terms and conditions determined by the Initial Sponsor.

(c) Notwithstanding anything to the contrary in this Agreement or any other Merger Transaction Document (including the Equity Commitment Letter(s)), the Initial Sponsor may, at its discretion and from time to time prior to the Merger Closing, adjust the amount of equity commitment of any Equity Investor on the terms and subject to the conditions set forth in the applicable Equity Commitment Letter, provided that the Initial Sponsor may not (subject to certain exceptions) (i) increase the amount of equity commitment of any Equity Investor without such Equity Investor's prior written consent or (ii) effect any such adjustment if such adjustment would, when taken together with all other such adjustments, result in the aggregate amount of the equity commitments to be less than the required equity funding amount.

(d) In the event that, after all adjustments made, the aggregate amount of equity commitments is less than the required equity funding amount, then the Initial Sponsor may, at its discretion, offer to any Equity Investor or any new investor(s), the opportunity to provide additional equity commitments and/or, in case of new investor(s), equity rollovers, and in such manner as may be determined by the Initial Sponsor, provided that any such additional equity commitment and/or equity rollover shall be on terms and conditions substantially the same as the terms and conditions of the existing equity commitment or rollover commitment.

(e) Each Investor (or its affiliate) that is a guarantor under a Limited Guarantee shall, contribute to the amount paid or payable by other guarantors in respect of the Limited Guarantees (other than any such payment made by a guarantor solely arising from such guarantor's breach of its obligations under its Limited Guarantee) so that each guarantor will have paid an amount equal to the product of the aggregate amount paid under all of the Limited Guarantees multiplied by a fraction of which the numerator is such guarantor's Cap (as defined in such guarantor's Limited Guarantee) and the denominator is the sum of all guarantors' Caps.

(f) Each Investor agrees to negotiate in good faith with the other Investors with respect to, and enter into, concurrently with the Merger Closing, a shareholders agreement containing customary terms including and consistent with the term sheet of such shareholders agreement set forth in the Interim Investor Agreement. Key terms in the shareholders agreement term sheet include customary terms on board representation at Holdco and Parentco; decision making mechanisms by shareholders and the board at Holdco and Parentco; certain reserved matters for the Management Party at Holdco, Parentco and Cloopen Group; pre-emptive rights, restriction on transfer, right of first offer or refusal, tag-along rights, drag-along rights and information rights applicable to the shareholders of the Holdco and Parentco; the repayment of debt financing by Parentco; and non-compete on the part of the Management Party. In terms of board representation at each of Holdco and Parentco, the Purchaser shall be entitled to appoint one director out of not more than five directors; the Initial Sponsor and its affiliates collectively shall be entitled to appoint three directors; and the Management Party shall be entitled to appoint one director.

Conditions and Closing of the Merger

According to the Merger Agreement, the Merger Closing shall take place no later than the 15th business day following the day on which the last of the closing conditions set out in the Merger Agreement (other than those conditions that by their nature are to be satisfied at the Merger Closing) is satisfied or, if permissible, waived, or at such other date or place or time as may be mutually agreed to in writing between Cloopen and Holdco (the date on which the Merger Closing takes place, the "**Closing Date**").

The conditions to the Merger Closing ("**Closing Conditions**") are summarized as follows:

(a) The Merger Agreement, the plan of merger, the post-closing memorandum and articles of association and the consummation of the transactions under the Merger Transaction Documents shall have been authorized and approved by Cloopen Shareholders constituting the requisite company vote (that is, the affirmative vote of at least two-thirds of the votes cast by the Cloopen Shareholders present and voting in person or by proxy as a single class at the shareholders' meeting) at the relevant shareholders' meeting.

(b) No governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law or award, writ, injunction, determination, rule, regulation, judgment, decree or executive order, whether temporary, preliminary or permanent, which is then in effect or is pending or threatened, that has or would have the effect of enjoining, restraining, prohibiting or otherwise making illegal the consummation of the transactions under the Merger Transaction Documents.

(c) Certain representations and warranties of Cloopen being true and correct as of the date of the Merger Agreement and as of the Closing Date.

(d) Cloopen shall have performed or complied in all material respects with all agreements and covenants required by the Merger Agreement to be performed or complied with by it on or prior to the Closing Date.

(e) Holdco will have received a certificate, signed by a senior executive officer of Cloopen, certifying as to the satisfaction of certain Closing Conditions.

(f) Since the date of the Merger Agreement, there shall not have been any material adverse effect on the part of Cloopen or any event, change, or effect that would, individually or in the aggregate, reasonably be expected to have a material adverse effect on the part of Cloopen.

(g) The aggregate amount of the Cloopen Group's cash level immediately prior to the Closing shall be not less than US$85 million (or its RMB equivalent) and Cloopen shall have delivered to Holdco written evidence thereof.

(h) Certain representations and warranties of the Parent Parties being true and correct as of the date of the Merger Agreement and as of the Closing Date.

(i) The Parent Parties shall have performed or complied in all material respects with all agreements and covenants required by the Merger Agreement to be performed or complied with by it on or prior to the Closing Date.

(j) Cloopen will have received a certificate, signed by an officer of Holdco, certifying as to the satisfaction of certain Closing Conditions.

The respective obligations of each party to the Merger Agreement to consummate the Merger is subject to the satisfaction or waiver in writing in whole or in part by the Parent Parties and the Company (where permissible under applicable law) of the Closing Conditions in paragraphs (a) to (b) above at or prior to the Closing Date; the obligations of the Parent Parties to consummate the Merger are subject to the satisfaction or waiver in writing by Holdco (where permissible under applicable law) of the Closing Conditions in paragraphs (c) to (g) above at or prior to the Closing Date; and the obligations of Cloopen to consummate the Merger are subject to the satisfaction or waiver in writing by Cloopen of the Closing Conditions in paragraphs (h) to (j) above at or prior to the Closing Date. As of the Latest Practicable Date and as advised by Cloopen, none of the Closing Conditions has been fulfilled. If the Merger does not become effective on or before the date that is nine months after the date of the Merger Agreement, the Merger Agreement may be terminated by either Cloopen or Parentco.

On the Closing Date, Merger Sub and Cloopen shall execute a plan of merger and file it (and any other required documents) with the Registrar of Companies in the Cayman Islands, and make any other necessary filings in connection with the Merger.

The Merger shall become effective at such date and time as it is registered with the Registrar of Companies in the Cayman Islands (or at such later date as may be agreed by Cloopen and the Merger Sub but not later than the 90th day after the date of the registration of the plan of merger).

As of the Latest Practicable Date and based on the latest Schedule 13E-3 filing made by Cloopen with the SEC on June 2, 2026, it is currently expected that the Merger Closing will take place in the fourth quarter of 2026, after all the Closing Conditions have been satisfied or waived.

Following the Merger Completion and the Merger taking effect, and based on the expected utilization of the Commitment as of the Latest Practicable Date of approximately US$35,163,980, the Purchaser will hold approximately 49.79% of the equity interest in Parentco, which will in turn hold approximately 68.35% of the equity interest in Cloopen. As such, Cloopen will not become a subsidiary of the Company and its financial results will not be consolidated into the accounts of the Group.

3. BASIS OF CONSIDERATION OF THE TRANSACTION

The Purchaser's Commitment under the Agreements, the corresponding equity interest in the Parentco and the corresponding effective economic interest in Cloopen were determined after arm's length negotiations between the parties to the Agreements and were calculated based on the proposed purchase price of US$0.4940 per Cloopen Share (i.e. the Per Share Offer Price), or US$2.9641 per ADS, as set out in the Merger Agreement.

As set out in the Preliminary Proposal Letter dated December 22, 2025, the Per Share Offer Price of US$0.4940 per Cloopen Share, or US$2.9641 per ADS, represented a premium of 51.23% to Cloopen's closing price on the last trading day immediately preceding December 22, 2025 and a premium of 74.87% and 86.22% to the volume-weighted average closing price during the last 15 and 30 trading days immediately preceding December 22, 2025, respectively.

The Directors have determined that the Per Share Offer Price is fair and reasonable, and therefore the Commitment and the corresponding equity interest in the Parentco and the corresponding effective economic interest in Cloopen are fair and reasonable, mainly based on the following factors:

(a) Based on the audited consolidated financial statements of the Cloopen Group for the year ended December 31, 2025, the net book value (i.e. net asset value, calculated by subtracting the total liabilities from the total assets) of Cloopen as at December 31, 2025 was approximately RMB831.9 million, equivalent to approximately US$119.0 million. Based on the latest Schedule 13E-3 filing made by Cloopen with the SEC on June 2, 2026, the net book value per Cloopen Share as of December 31, 2025 was US$0.3516 (based on 316,554,332 Class A Cloopen Shares (excluding treasury shares) and 25,649,839 Class B Cloopen Shares outstanding as of that date and the RMB to U.S. dollars exchange rate of RMB6.9931 to US$1.00, representing the certificated exchange rate published by the Federal Reserve Board). The net book value and net book value per share of Cloopen are historical accounting figures that do not capture the surrounding market factors of the Proposed Privatization or the business potential of Cloopen, the Directors therefore believe the assessment of the fairness and reasonableness of the Per Share Offer Price would be inadequate if it only or primarily considers these figures; greater weight should be given to the other factors detailed in the remainder of this list below.

(b) The historical financial performance of Cloopen. Based on the audited consolidated financial statements of Cloopen prepared in accordance with the U.S. GAAP, in each of the years ended December 31, 2023, 2024 and 2025, it recorded a revenue of RMB571.0 million, RMB573.6 million and RMB535.7 million, respectively, growing at 0.46% year-on-year in 2024 and decreasing at 6.61% year-on-year in 2025; it also recorded net losses of RMB412.4 million, RMB146.8 million and RMB238.8 million, respectively, decreasing by 64.39% year-on-year in 2024 and increasing by 62.67% year-on-year in 2025. In order to better reflect the operational performance of its business, Cloopen recorded adjusted EBITDA which was defined as net loss excluding depreciation and amortization, interest income, income tax benefit, share-based compensation, investment income, impairment loss of long-term investments, other operating income, (gains)/losses from disposal of subsidiaries, net, share of (gains)/losses of equity method investments, and foreign currency exchange (gains)/losses, net. The adjusted EBITDA was negative RMB405.5 million, negative RMB225.4 million, and negative RMB227.4 million, respectively, decreasing by 44.4% year-on-year in 2024 and relatively stable in 2025. Even though Cloopen has recorded net losses in the last three financial years, the Company believes its financial performance has been improving as its net loss level and adjusted EBITDA in the last two financial years have narrowed significantly as compared with that in 2023, while its revenue remained relatively stable, showing consistent customer demand.

The Company noted that, the Cloopen Group's strong customer demand was particularly well supported by its large-enterprise customers. According to Cloopen's management discussion and analysis extracted in Appendix IV, the number of its large-enterprise customers remained relatively stable at 121, 114 and 102 in each of 2023, 2024 and 2025, which contributed approximately 67.0%, 68.7% and 70.1% of the Cloopen Group's revenues for each of 2023, 2024 and 2025. The Cloopen Group's dollar-based net customer retention rate in 2023, 2024 and 2025 also remained relatively stable, indicating healthy customer demand. According to Cloopen's management discussion and analysis extracted in Appendix IV, its dollar-based net customer retention rate in 2023, 2024 and 2025 in relation to solutions that it offers on a recurring basis was 85.8%, 74.6% and 76.7%, respectively, and the dollar-based net customer retention rate for active customers was 89.0%, 77.4% and 79.6%, respectively.

Further, the Company noted that, while the Cloopen Group's revenue and cost of revenue remained relatively stable from 2023 to 2025, its operating expenses experienced substantial decrease from 2023 to 2025, and the main reasons for the substantial decrease were, according to Cloopen's management discussion and analysis extracted in Appendix IV:

"Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Operating expenses

- *Research and development expenses. Our research and development expenses decreased by 21.4% from RMB177.0 million in 2024 to RMB139.1 million (US$19.9 million) in 2025, primarily due to the decrease in R&D staff expenses resulting from decreases in the headcount of and the compensation level for our R&D personnel.*

- *Selling and marketing expenses. Our selling and marketing expenses decreased by 24.0% from RMB187.3 million in 2024 to RMB142.3 million (US$20.3 million) in 2025, primarily due to (1) a 23.7% decrease in staff expenses of RMB27.8 million (US$4.0 million), mainly due to decreases in the headcount of and the compensation level for our sales and marketing personnel, (2) a 27.4% decrease in market development and operational expenses of RMB10.7 million (US$1.5 million), mainly due to our expenses control measures, and (3) a 29.6% decrease in share-based compensation expenses of RMB3.3 million (US$0.5 million), mainly due to a decrease in amortized expenses as the options vested.*

- *General and administrative expenses. Our general and administrative expenses increased by 18.3% from RMB93.9 million in 2024 to RMB111.1 million (US$15.9 million) in 2025, primarily due to (1) a 35.4% increase in staff expenses of RMB19.0 million (US$2.7 million), mainly due to increase in headcount of management personnel, partially offset by a 24.6% decrease in professional service fees of RMB6.7 million (US$1.0 million).*

...

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Operating expenses

- *Research and development expenses. Our research and development expenses decreased by 20.5% from RMB222.5 million in 2023 to RMB177.0 million in 2024, primarily due to (1) a 24.5% decrease in the R&D staff expenses of RMB43.7 million (US$6.0 million), mainly due to decreases in the headcount of and the compensation level for our R&D personnel, and (2) a 32.0% decrease in lease expenses of RMB2.7 million, which was in line with the reduced R&D headcount.*

- *Selling and marketing expenses. Our selling and marketing expenses decreased by 17.7% from RMB227.5 million in 2023 to RMB187.3 million in 2024, primarily due to (1) a 26.2% decrease in staff expenses of RMB41.5 million, mainly due to decreases in the headcount of and the compensation level for our sales and marketing personnel, and (2) a 8.7% decrease in spending on advertising campaigns and marketing activities of RMB3.7 million, mainly due to our expenses control measures.*

- *General and administrative expenses. Our general and administrative expenses decreased by 50.9% from RMB191.1 million in 2023 to RMB93.9 million in 2024, primarily due to (1) a 61.4% decrease in the service fees paid to third parties of RMB43.1 million, mainly due to the settlement of the Class Action in 2023, (2) a 16.9% decrease in staff expenses of RMB10.9 million, mainly due to decreases in the headcount of and the compensation level for our management and administrative personnel, (3) a 79.4% decrease in share-based compensation expenses of RMB13.5 million, mainly due to a decrease in amortized expenses as the options vested, and (4) a significant decrease in allowance for doubtful accounts of RMB20.3 million.*

..."

The Directors consider that, the cost saving measures taken by Cloopen were able to effectively decrease its operating expenses while maintaining the revenues at a stable level, thereby contributing to the substantial improvement in its net losses in 2024 and 2025 compared with those in 2023.

For the complete audited consolidated financial information of the Cloopen Group for the years ended December 31, 2023, 2024 and 2025, please refer to Appendix II to this circular; for the management discussion and analysis of the Cloopen Group's results prepared by its board of directors for the same years, including discussions on the reasons and drivers for its performance, please refer to Appendix IV of this circular.

Additionally, as disclosed in the latest Schedule 13E-3 filing made by Cloopen with the SEC on June 2, 2026, it is expected that there will be a reduction of its costs and administrative burden associated with operating as a publicly traded company, including the costs associated with regulatory filings and compliance requirements; such cost savings will directly benefit the investors in the Proposed Privatization following the Merger Closing, and will be recurring in nature if and for so long as Cloopen remains private. The Company believes this would contribute to the improvement of the profitability of the Cloopen Group going forward.

Considering: that the Cloopen Group has been implementing effective cost saving measures, contributing to the improvement in its net losses in 2024 and 2025 narrowed compared with those in 2023 while maintaining its revenues at a relatively stable level supported by healthy customer demand; Cloopen's leading position in the cloud based communication service provider industry in China (noting that it had over six thousand customers as of December 31, 2025, including over 102 large-enterprise customers); its award-winning technologies (further discussed in the section headed "Reasons for and Benefits of the Transaction"); and the expected cost saving resulting from Cloopen becoming a private company, the fact that the Cloopen Group has recorded net losses does not negate its assessment that the terms of the Transaction, including the Per Share Offer Price, are fair and reasonable.

The historical financial performance of the Cloopen Group does not fully capture the surrounding market factors of the Proposed Privatization or the business potential of Cloopen. The Directors therefore also took into account, in the assessment of the fairness and reasonableness of the Per Share Offer Price, the valuation analysis of comparable companies to Cloopen, privatization price premium analysis in comparable take-private transactions, and future business benefits Cloopen can bring to the Group (i.e. factors listed in paragraphs (c) to (e) below).

(c) The valuation of certain comparable companies to Cloopen which are listed in the United States, details of which are set out in the section headed "Basis of Consideration of the Transaction – Valuation of comparable companies" below.

(d) The privatization price premium in certain comparable take-private transactions in the United States to the Proposed Privatization, details of which are set out in the section headed "Basis of Consideration of the Transaction – Privatization Price Premium" below.

(e) The factors set out in the section headed "Reasons for and Benefits of the Transaction" below.

The Group intends to finance the consideration by its own funds and/or financing, including HK$63.0 million from the net proceeds from the Company's Global Offering, HK$12.9 million from the net proceeds from the Top-up Subscription, and the remaining amount from the Company's internal cash resources. The table below shows the breakdown and the expected timeline for the application of the remaining proceeds from the Global Offering and Top-up Subscription after the payment of the consideration for the Transaction:

Planned use of the Net Proceeds	**Unutilized amount as of December 31, 2025** *(HK$ million)*	**Net Proceeds to be applied towards the Transaction** *(HK$ million)*	**Expected timeline for full utilization of the remaining Net Proceeds**
Global Offering			
1. To develop new applications and new service modules	100.5	–	December 31, 2026
2. For talent acquisition associated with the expansion of our operations	44.3	–	December 31, 2026
3. To selectively pursue strategic cooperation, investments and acquisitions that are complementary to our organic growth strategies, particularly those that can complement our product offerings, strengthen our technology capabilities, and solidify our market position	63.0	63.0	–
4. To expand our sales network and further strengthen our brand reputation	0	–	–
5. For working capital and general corporate purposes	0	–	–
Total:	**207.8**	**63.0**	
Top-up Subscription			
1. For loan repayments	0	–	December 31, 2026
2. For further expansion of existing business and product upgrades	46.6	–	December 31, 2026
3. For other general expenditures	12.9	12.9	–
4. Investments in the AI sector, specifically including but are not limited to: 1) AI talent acquisition and native application R&D: strengthen the recruitment of AI specialists and the development of AI R&D teams, with a focus on developing next-generation AI-native products. We aim to create AI retail agents covering core scenarios such as merchandise management and store operations; 2) AI-driven product evolution and R&D efficiency enhancement: drive the deep integration of AI with existing operations, continuously advance the upgrading of our intelligent OS products, and simultaneously implement an AI-native re-engineering of R&D and delivery processes to comprehensively enhance R&D and delivery efficiency; 3) AI computing power and cloud infrastructure investment: invest in AI computing power, cloud service resources, and related infrastructure operations and maintenance	193.9	–	December 31, 2026
Total:	**253.4**	**12.9**	

Valuation of comparable companies

In order to assess the reasonableness of the Per Share Offer Price in the Merger, the Company has conducted a survey on May 7, 2026 of the valuation of comparable companies to Cloopen that are also listed in the United States, and derived therefrom a reference equity value of Cloopen (i.e. the market approach).

The Company considers the market approach to be appropriate as it takes into account the impact of market conditions as Cloopen's securities are quoted and publicly traded in the United States. The Company does not consider the cost approach to be appropriate as it does not capture future earning potential of Cloopen; nor does the Company consider the income approach appropriate as it would involve detailed long-term financial forecasts that require a large number of underlying assumptions and significant uncertainties.

Valuation multiple adopted

The Company adopted enterprise value to last-twelve-month ("**LTM**") sales multiple ("**EV/Sales multiple**") as the valuation multiple in the comparison instead of P/S, P/E or P/B multiples, as EV-based multiples are capital structure-neutral and therefore provide a more consistent basis for comparison when there are significant variations in leverage and equity financing among peers. In contrast, P-based multiples such as P/S, P/E or P/B are derived from equity values and are therefore directly affected by a company's capital structure, including its debt levels, interest expenses, and tax position. As such, these multiples may not reflect the true operating performance of a business and can result in misleading comparisons when applied across companies with differing financial leverage.

Furthermore, EV/Sales multiple is considered particularly appropriate in the case of Cloopen given its substantial cash position. As at December 31, 2025, Cloopen held cash and cash equivalents (including cash, term deposits and short-term investments) of approximately US$128.0 million, which represents approximately 167% of its LTM revenue of approximately US$76.61 million. Since the P/S multiple is derived directly from market capitalization (equity value), applying P/S would attribute zero value to this significant cash balance, thereby materially underestimating the equity value of Cloopen.

It is considered that the EV/Sales Multiple is the most appropriate multiple, hence it is being adopted in this valuation.

Selection of comparable companies

To derive the EV/Sales multiple, the Company screened all publicly listed companies in the United States on Capital IQ (an independent financial intelligence tool provided by Standard & Poor's) applying the following selection criteria:

(a) The company is publicly listed and searchable in Capital IQ;

(b) The company is primarily listed on major stock exchanges in the United States;

(c) The company is primarily engaged in the provision of cloud based communication service provider (CSP) application or software; that is, the company falls under the "Application Software (primary)" industry classification in Capital IQ, and its business description in Capital IQ contains keywords such as "communication" and "customer engagement" which are related to the target company's business. Certain companies that met the foregoing criteria but whose primary businesses, upon a closer examination, were not consistent with that of Cloopen, were excluded; and

(d) The company falls within: (i) a revenue band that is 0.50x to 10.00x of Cloopen's LTM revenue. Cloopen's LTM Revenue as at December 31, 2025 was approximately US$76.61 million. The revenue band was therefore set at approximately US$38.30 million to US$766.05 million; or (ii) a market capitalization band of 0.50x to 10.00x of Cloopen's market capitalization as of December 31, 2025. Cloopen's market capitalization as at December 31, 2025 was approximately US$109.28 million. The capitalization band was therefore set at approximately US$54.64 million to US$1,092.76 million.

The Company considers the selection of comparable companies listed on major U.S. stock exchanges as fair and reasonable for the following reasons:

(1) The comparable companies were selected by reference to the capital market in which Cloopen's own securities are listed and traded – the United States – rather than the geography of underlying operations. Cloopen itself is a U.S.-listed company, and the valuation adopts the market approach because Cloopen's value is determined by how the U.S. capital market prices its securities. The most relevant peers are therefore companies listed and traded in the same market as Cloopen as they share the same investor base, market conditions, liquidity. PRC-specific market and regulatory dynamics are separately captured through the privatization-premium analysis of U.S.-listed Chinese companies, and assumptions of DLOM further mitigate any difference.

(2) No suitable comparable companies are available on the OTC market. The OTC market does not host a sufficient number of companies engaged in cloud communications or CPaaS services that are comparable to Cloopen in terms of business model, operational scale, and market positioning. In the absence of suitable OTC-listed peers, it was necessary and appropriate to extend the search to major U.S. stock exchanges where companies engaged in similar business activities are listed.

(3) The selected comparable companies on major U.S. stock exchanges share fundamental business comparability with Cloopen. The 7 final comparable companies (8x8, Inc., Agora, Inc., Braze, Inc., LivePerson, Inc., Ooma, Inc., RADCOM Ltd. and Weave Communications, Inc.) operate in the same or closely related industries, provide similar cloud-based communications services, and are exposed to comparable market drivers and competitive dynamics. The Company therefore considers these companies as an appropriate peer group for deriving market-based valuation multiples, notwithstanding the difference in listing venue.

(4) Adjustments are adopted to further capture the difference in marketability of Cloopen and the comparable companies. Discount for lack of marketability ("**DLOM**") was considered when estimating Cloopen's equity value. Details are discussed in 'Adjustments adopted' section.

Comparable companies

By applying the above criteria, seven comparable companies were identified. The details of those companies, based on information available on Capital IQ, are set out as follows:

Comparable Company (Name in English)	**Business Description**	**Ticker**	**LTM EV/ Sales Multiple (times)**
8x8, Inc.	8x8, Inc. provides contact center, voice, video, chat, and enterprise-class application programmable interface (API) solutions worldwide.	NasdaqGS: EGHT	0.79
Agora, Inc.	Agora, Inc., through its subsidiaries, engages in the operation of a real-time engagement platform-as-a-service in the United States, the People's Republic of China, and internationally.	NasdaqGS: API	1.93
Braze, Inc.	Braze, Inc. operates a customer engagement platform that provides interactions between consumers and brands worldwide.	NasdaqGS: BRZE	5.12
LivePerson, Inc.	LivePerson, Inc. operates as a digital customer conversation in the United States, Canada, Latin America, South America, Europe, the Middle East, Africa, and the Asia-Pacific.	NasdaqGS: LPSN	1.40

Comparable Company (Name in English)	Business Description	Ticker	LTM EV/ Sales Multiple (times)
Ooma, Inc.	Ooma, Inc. provides communications services and related technologies for businesses and consumers in the United States and Canada.	NYSE: OOMA	1.19
RADCOM Ltd.	RADCOM Ltd. provides cloud-native and 5G-ready network intelligence solutions for communication service providers (CSPs).	NasdaqCM: RDCM	1.56
Weave Communications, Inc.	Weave Communications, Inc. operates an AI-powered patient communications, engagement, and payments platform for small and medium-sized healthcare businesses.	NYSE: WEAV	2.36

Set out below are the market capitalization and LTM revenue for each of the seven selected comparable companies as at December 31, 2025:

Ticker	Company Name	Market Cap (USDm)	Revenue (USDm)
NasdaqGS: EGHT	8x8, Inc.	273.1	727.5
NasdaqGS: API	Agora, Inc.	365.6	141.1
NasdaqGS: BRZE	Braze, Inc.	3,847.9	693.4
NasdaqGS: LPSN	LivePerson, Inc.	45.9	243.7
NYSE: OOMA	Ooma, Inc.	320.4	264.1
NasdaqCM: RDCM	RADCOM Ltd.	214.6	71.5
NYSE: WEAV	Weave Communications, Inc.	592.2	239.0

The Company's initial screening using Capital IQ's Comparable Data Screening Tool was exhaustive. The Company identified all companies in the database satisfying these quantitative criteria, yielding 55 companies. The Company then applied a further keyword-based business-comparability filter to each company's Capital IQ business description, retaining only companies whose descriptions contained terminology representative of cloud-communications and customer-engagement activities – such as "Customer engagement", "Business communications" and "Messaging" – and excluding companies whose descriptions fell within unrelated markets such as financial services, automotive and devices. Applying this filter, 48 companies were excluded because their primary businesses were not comparable to Cloopen's cloud-communications/customer-engagement platform model, yielding the 7 final comparable companies. The Company considers that the selection process – comprising an exhaustive quantitative screening followed by an objective, keyword-based business comparability assessment – is fair and reasonable, and that the 7 selected comparable companies provide a representative and adequate sample for valuation purposes. The detailed inclusion and exclusion keywords applied in the business-comparability filter are set out in the table below:

(a) Inclusion criteria – The company's business description contains at least one keyword from the following categories aligned with Cloopen's core CPaaS operations:

Category	**Keywords**
Customer interaction platforms	Customer engagement and its synonyms (e.g., contact centre, customer care, customer conversation)
Communication services	Business communications and its synonyms (e.g., communication services, communication capabilities, service providers)
Messaging and billing infrastructure	Messaging and its synonyms (e.g., SMS)

(b) Exclusion criteria – The company's business description does not contain any of the following keywords indicating a material deviation from Cloopen's software platform model

Category	**Keywords**
Financial services	"financial services"
Automotive	"automotive"
Hardware/devices	"devices"

Adjustments adopted

*Discount for lack of marketability ("**DLOM**")*

As Cloopen is currently traded on the OTC market while the selected comparable companies are primarily listed on major stock exchanges in the United States, adjustments are adopted for this difference in marketability.

The concept of marketability deals with the liquidity of the interest owned, that is how quickly and easily it can be converted to cash if the owner chooses to sell. Considering the ADSs of Cloopen are quoted on the OTC market in the United States and trading is inactive with lack of liquidity, the Company considered a DLOM of 15.70% to be appropriate. This number comes from the 2025 edition of the Stout Restricted Stock Study Companion Guide by Stout Risius Ross, which looked at 783 private placement transactions by publicly traded companies from July 1980 through March 2025. The discount was calculated as the difference between the private placement price and the market reference price, divided by the market reference price. The DLOM adjustment directly quantifies and eliminates the liquidity premium associated with exchange-listed shares.

Key Assumptions

The following key assumptions were made:

(a) There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of Cloopen;

(b) The operational and contractual terms stipulated in the relevant contracts and agreements of Cloopen in its business will be honoured;

(c) Save for matters publicly disclosed by Cloopen, there has been no material adverse change in the financial position, operational performance and business outlook of Cloopen since December 31, 2025;

(d) Cloopen possesses all the operating licenses required (if any);

(e) There are no hidden or unexpected conditions associated with Cloopen that might adversely affect the assessed valuation; and

(f) There are no significant changes in market conditions after May 7, 2026.

(g) The Company has reviewed Cloopen's official website, SEC filings and stock exchange announcements as part of its due enquiry. It is assumed that there is no material information that has not been publicly disclosed which would affect the valuation of Cloopen, including but not limited to any material adverse change in its financial, operational or business position, or any material restriction, suspension or revocation of its operating licenses, as at May 7, 2026.

View of the Board on the valuation of Cloopen and of comparable companies

Based on the above survey, the Company noted that the LTM EV/Sales multiples of the comparable companies to Cloopen are in the range of 0.79x to 5.12x, for the purpose of assessing the reasonableness of the Per Share Offer Price, the Company adopted an LTM EV/Sales multiple of 0.79x, being the low end of the range of the comparable companies, as a conservative reference multiple.

The Company also estimated the 100% equity value of Cloopen to be approximately US$158.7 million, based on: (i) an enterprise value of Cloopen of approximately US$60.5 million, which is calculated based on a LTM EV/Sales multiple of 0.79x drawn from comparable companies and Cloopen's revenue for the year ended December 31, 2025; (ii) on top of the said enterprise value, adding back Cloopen's cash and cash equivalents (including cash, term deposits and short-term investments) of approximately US$128.0 million and adjusting for non-controlling interests of approximately US$1.35 million (all as of December 31, 2025), and subtracting operating lease liabilities (current and non-current) of approximately US$1.7 million (as of December 31, 2025), which gives rise to an equity value of approximately US$188.2 million; and (iii) adjusting the said equity value for the lack of marketability by applying the DLOM of 15.7%, which gives the resulting equity value of approximately US$158.7 million. Dividing US$158.7 million by 324,121,401 issued and outstanding Cloopen Shares as of May 26, 2026, the equity value per Cloopen Share is US$0.4895. The Company noted that this is generally commensurate to the Per Share Offer Price of US$0.4940 per Cloopen Share in the Merger.

The Directors have reviewed the above valuation of Cloopen (including the key assumptions) and the comparison with the valuation of the comparable companies and noted no irregularities. Based on the above, the Directors have determined that the proposed purchase price in the Merger is fair and reasonable, and therefore the Commitment and the corresponding equity interest in the Parentco and the corresponding effective economic interest in Cloopen, are fair and reasonable.

Privatization price premium

A privatization price premium is the premium an investor is willing to pay in addition to the current market price of the listed securities of a public company to the minority shareholders in order to buy them out and take the public company private. As set out in the Preliminary Proposal Letter dated December 22, 2025, the Per Share Offer Price of US$0.4940 per Cloopen Share, or US$2.9641 per ADS, represented a premium of 51.23% to Cloopen's closing price on the last trading day immediately preceding December 22, 2025 and a premium of 74.87% and 86.22% to the volume-weighted average closing price during the last 15 and 30 trading days immediately preceding December 22, 2025, respectively.

In order to assess the reasonableness of the privatization price premium in the Proposed Privatization, the Company surveyed privatization transactions of Chinese companies listed in the United States and comparable privatization transactions of foreign SaaS companies, in each case the first announcement date of which fell during the period from January 1, 2023 to May 7, 2026 (the "**Reference Period**"), comprising a total of 12 U.S.-listed Chinese companies and 5 U.S.-listed non-Chinese companies in the SaaS/software sector.

The Company considers the reference period from 2023 to May 7, 2026 as fair and representative for the following reasons: (1) Recency and Market Condition Relevance – The Reference Period captures privatization transactions executed under macroeconomic conditions broadly comparable to the current environment. The U.S. Federal Reserve's rate hiking cycle culminated in July 2023 at 5.25%–5.50%, where rates have since remained – a sustained high-rate plateau distinct from the near-zero rate environment of 2020–2021. Transactions prior to 2023 therefore occurred in a materially different interest rate environment. (2) Sufficient Transaction Volume – The Reference Period provides a meaningful sample size, comprising 17 privatization transactions, enabling reliable statistical analysis of premium levels whilst avoiding outdated data that may not reflect current market expectations.

The said scope was determined as it takes into account the common business and market risks and conditions shared by Chinese companies listed in the United States, and those shared by companies with similar business in the same industry as Cloopen.

From the 17 transactions, the Company further excluded the privatization of First High-School Education Group Co., Ltd. first announced in November 2024, as its premium (premium of approximately 354.5% over the closing price on the last trading day immediately prior to the announcement, and approximately 320.7% over the 30-trading-day average price) is significantly higher than the premiums in the other transactions, which constitutes a statistical outlier. Details of the selected 16 comparable transactions are set out as follows:

Take-private transactions summary

Company Name in English	Ticker	Industry	Business Description	Date of first announcement	Price Premium over closing price on the day before the date of first announcement	Price Premium over 30-day average closing price before the date of first announcement
Lakeshore Biopharma Co., Ltd.	LSBCF/LSBWF	Biopharmaceuticals	A company engaged in vaccines and therapeutic biologics, with businesses involving the research and development, manufacturing and commercialization of vaccines for infectious diseases and biologics.	2025/11/4	15.40%	16.60%*(Note 1)*
Bright Scholar Education Holdings Ltd	BEDU	Education services	A global education services company providing international and bilingual schools, extracurricular education and related educational services.	2025/10/13	47.40%	39.40%

Company Name in English	Ticker	Industry	Business Description	Date of first announcement	Price Premium over closing price on the day before the date of first announcement	Price Premium over 30-day average closing price before the date of first announcement
Smart Share Global Ltd	EM	Consumer technology/shared charging	"Energy Monster", a mobile device charging service provider in China.	2025/8/1	74.80%	68.10%
OneConnect Financial Technology Co., Ltd.	OCFT/6638.HK	Fintech	A financial technology company within the Ping An Group ecosystem, providing digital solutions to financial institutions.	2025/5/15	72.33%	131.66%
Dada Nexus Ltd	DADA	Local on-demand retail/delivery	A local on-demand retail and on-demand delivery platform in China, with businesses related to JD Daojia and Dada Now.	2025/4/1	42.00%	Not disclosed
BEST Inc.	BEST	Logistics/supply chain	A comprehensive smart supply chain and logistics service provider in China and Southeast Asia.	2024/6/20	25.20%	28.70%
Hollysys Automation Technologies Ltd	HOLI	Industrial automation	A China-based provider of automation control system solutions, with businesses covering industrial automation, rail transportation signaling control, SCADA systems, and related software, hardware and services.	2023/12/11	42.00%	Not disclosed
iClick Interactive Asia Group Limited	ICLK	Cloud platform	A China-based enterprise and marketing cloud platform company providing brand customers with full-stack consumer lifecycle solutions and data-driven marketing technology services.	2023/11/24	3.30%	20.00%(Note 2)

Company Name in English	Ticker	Industry	Business Description	Date of first announcement	Price Premium over closing price on the day before the date of first announcement	Price Premium over 30-day average closing price before the date of first announcement
Genetron Holdings Limited	GTH	Precision medicine/ tumor detection	A precision tumor diagnosis and treatment platform company in China, with businesses including molecular testing, early screening and companion diagnostics.	2023/10/11	15.00%	21.00%
Chindata Group Holdings Limited	CD	Data center	A hyperscale data center operator in the Asia-Pacific region, providing infrastructure for cloud computing and large internet customers.	2023/8/11	42.60%	48.70%
Zhangmen Education Inc.	ZMENY	Online education	An online education company in China, providing online tutoring and quality education services for students.	2023/7/28	Not disclosed	115.00%
Zuora	ZUO	Subscription economy software, revenue monetization, enterprise SaaS	Providing subscription billing, revenue management, pricing, payment collection and monetization software for enterprises with subscription and complex revenue models.	2024/4/16	18.06%	na
Smartsheet	SMAR	Enterprise collaboration software, work management SaaS	An enterprise-level work management and collaboration platform, helping enterprises manage projects, processes, automation, and cross-team collaboration.	2024/7/17	16.00%	41.00%
Squarespace	SQSP	Website building, digital business tools, SaaS	An online website building and digital operation platform for small and medium-sized enterprises, creators and brand merchants, providing tools such as website templates, domain names, e-commerce, marketing, bookings, payments and content management.	2024/5/10	15.00%	29.00%

Company Name in English	Ticker	Industry	Business Description	Date of first announcement	Price Premium over closing price on the day before the date of first announcement	Price Premium over 30-day average closing price before the date of first announcement
Qualtrics	XM	Data analysis, analytics automation, enterprise software	Providing data preparation, data analysis, machine learning modeling and automated analysis tools, primarily serving enterprise data teams as well as personnel engaged in financial analysis, operations analysis and business analysis.	2023/1/25	62.00%	73.00%
Duck Creek	DCT	Experience management software, customer and employee experience, enterprise SaaS	Providing an experience management platform to help enterprises collect and analyze customer, employee, product and brand experience data for satisfaction, NPS, surveys, customer feedback and employee engagement management.	2023/1/9	46.00%	64.00%
Average					35.8%	53.6%
Median					42.0%	41.0%
Cloopen					51.2%	86.2%

Note:

1. The issuer did not disclose a premium over the 30-day average closing price; the figure shown is the premium over the 15-day average closing price, being the closest available measure publicly disclosed.

2. The issuer did not disclose a premium over the 30-day average closing price; the figure shown is the premium over the 90-day volume-weighted average closing price, being the closest available measure publicly disclosed.

The 16 selected privatization transactions were chosen from two complementary categories to provide a comprehensive benchmark for assessing the fairness of the Proposed Privatization premium:

(A) U.S.-listed Chinese company privatization transactions (11 transactions) – These companies were previously listed on U.S. stock exchanges and subsequently undertook privatization transactions. Whilst these companies operate in diverse industry sectors (biopharma, education, consumer technology, fintech, logistics, healthcare etc.), they all share the common experience of being Chinese companies listed on U.S. stock exchanges, and as such, their valuations have historically demonstrated broad convergence in response to common macro-level market drivers – including U.S.-China regulatory developments, shifts in investor sentiment towards Chinese equities, and the liquidity characteristics of the U.S. capital markets for Chinese issuers. These shared market dynamics, together with similar transaction structures, shareholder approval requirements and regulatory considerations, make them broadly comparable to Cloopen from a capital-market and transaction-dynamics perspective.

(B) U.S.-listed non-Chinese SaaS/software company privatization transactions (5 transactions) – These companies, namely Zuora, Smartsheet, Squarespace, Qualtrics and Duck Creek Technologies, are U.S.-listed enterprise software/SaaS companies that have undergone privatization transactions. Although they are not Chinese companies, they provide relevant reference points for valuation purposes as publicly traded SaaS/software businesses with cloud-delivered products, recurring or subscription-based revenue models, and enterprise or business customer bases. This operational comparability supports that the privatization premiums observed for these companies reflect industry-specific valuation norms applicable to the SaaS/cloud communications sector, providing a relevant business-model benchmark that complements the Chinese-company dataset. By combining these two categories, the Company ensures that the premium analysis captures both the unique market dynamics and regulatory considerations applicable to U.S.-listed Chinese companies and the industry-specific valuation norms of the SaaS/software sector. The Company considers this dual-track approach provides a more robust and comprehensive basis for assessing the fairness of the Proposed Privatization premium than relying on either category alone.

The Company confirms that the list of selected transactions was compiled on an exhaustive basis, to the best of the Company's knowledge and after making all reasonable efforts, based on the selection criteria adopted for the premium analysis. In preparing the list, the Company conducted a thorough search of publicly announced privatization transactions during the Reference Period from 2023 to May 7, 2026, covering (i) U.S.-listed Chinese company privatization transactions and (ii) U.S.-listed enterprise software/SaaS company privatization transactions. The Company reviewed publicly available information from regulatory filings, company announcements, stock exchange announcements, press releases and recognized financial information sources. Based on such review, the Company included all readily identifiable transactions that satisfied the selection criteria and for which sufficient public information was available to verify the relevant transaction premium and key transaction terms.

Based on the above survey of comparable transactions, the privatization price premium based on the closing price on the date immediately prior to the first announcement ranged from 3.3% to 74.8%, with an average of 35.8% and a median of 42.00%. The privatization price premium based on the 30-day average closing price immediately prior to the first announcement date ranged from 16.6% to 131.7%, with an average of 53.6% and a median of 41.0%. The Company noted that the privatization price premium for the Proposed Privatization is 51.23% based on the closing price on the date immediately prior to the first announcement date and 86.22% based on the 30-day average closing price immediately prior to the first announcement date. Both premium measures fall within the range observed for the comparable transactions.

The Company notes that both premium measures for the Proposed Privatization fall within the range observed for the comparable transactions and remain below the respective maximum of 74.8% based on the closing price and 131.7% based on the 30-day average closing price. This positioning at the upper end of the range can be explained by the trading characteristics of the ADSs. The ADSs of Cloopen are quoted on the OTC market, which is characterised by limited liquidity and limited market-maker activity compared to those companies listed on major securities exchange. These conditions constrain market participants price discovery and have resulted in the stock trading at a depressed level.

The premiums observed in recent OTC-market privatizations provide direct support for this position. For instance, the going-private transaction of First High-School Education Group, although excluded from the average and median comparable transaction premium calculation, was quoted on the OTC market at the announcement of the going-private proposal, with a premium of approximately 354.5% over the closing price and 320.7% over the 30-day average closing price. Similarly, Zhangmen Education Inc., also quoted on the OTC market, was privatized at a premium of approximately 115% over the 30-day average closing price. LakeShore Biopharma Co., Ltd., also quoted on the OTC Pink market, is another recent case, though its going-private transaction remains subject to completion. These precedents illustrate that materially elevated premiums are a recognized feature of OTC-market privatizations and reflect the use of a depressed and illiquid trading benchmark, rather than an overstatement of value. Accordingly, a price premium in the high end of the comparable range is consistent with this depressed trading benchmark and is therefore considered reasonable.

The Directors have reviewed the above comparison of privatization price premium and consider the Per Share Offer Price in the Merger is fair and reasonable, and therefore the Commitment and the corresponding equity interest in the Parentco and the corresponding effective economic interest in Cloopen, are fair and reasonable.

4. REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company is one of the leading providers of AI retail agents in China and Asia, which offers a range of principal products and services designed to digitalize and optimize operations of the local retailers, while Cloopen is a leading multi-capability cloud-based communications solution provider in China, offering a full suite of cloud-based communications solutions, covering communications platform as a service (CPaaS), cloud-based contact centers, and cloud-based unified communications and collaborations.

According to the disclosures in the management discussion and analysis of the Cloopen Group's results in its U.S. equivalents of annual reports (which are extracted in Appendix IV to this circular), the Cloopen Group generates its revenues primarily from its CPaaS, cloud-based CC and cloud-based UC&C solutions; it generally charges its customers using its CPaaS solutions on a recurring basis, based on the monthly number of text messages and call minutes facilitated; it charges its customers using its cloud-based CC solutions deployed on public cloud on a recurring basis, with a combination of seat subscription fees and related resource usage fees; and it generally charges its customers using its cloud-based CC solution deployed on private cloud and cloud-based UC&C solutions on a project basis; its main costs of revenues (other than staff costs and rental and others) are costs of telecommunications resources, outsourcing costs and infrastructure and equipment costs; costs of telecommunications resources represent fees the Cloopen Group pays to mobile network operators based on the number of texts and minutes of voice calls it subscribed for; it also outsources certain parts of the solution delivery and incurs outsourcing costs; and infrastructure and equipment costs relate to its use of servers and its purchase of hardware and equipment to support its solutions. For more detailed discussions of Cloopen's business model prepared by the board of directors of Cloopen, including but not limited to its revenue generating model, customer base, business outlook and risks, please refer to the management discussion and analysis of the Cloopen Group's results as extracted in Appendix IV to this circular.

The below is an extract from Cloopen's U.S. equivalent of an annual report for the year ended December 31, 2025, outlining its business positioning, customer base and value propositions to its customers:

> *"We are a leading multi-capability cloud-based communications solution provider in China offering a full suite of cloud-based communications solutions, covering communications platform as a service, or CPaaS, cloud-based contact centers, or cloud-based CC, and cloud-based unified communications and collaborations, or cloud-based UC&C. We serve a diverse and loyal customer base consisting of enterprises of all sizes across a variety of industries, including internet, telecommunications, financial services, industrial manufacturing and energy.*
>
> *China's cloud-based communications industry is still in the early stages of development relative to more mature markets globally, and is experiencing significant transformation driven by rapid advancements in cloud and AI technologies. Enterprises in China increasingly focus on digital solutions and are adopting new technologies to improve the efficiency and quality of their intra- and extra-organizational communications. We believe that we are well-positioned to capitalize on this great opportunity in the emerging China market and continue to contribute to the growth of this market. As an industry pioneer, we have accumulated extensive expertise, and developed a variety of proprietary products and services characterized by quality and reliability, to enable seamless connectivity across telecommunications networks.*

We believe that we are well adapted to serve China's unique market dynamics, leveraging our deep-rooted experience in China's cloud-based communications industry and insights in the specific communications needs of domestic enterprises. With our comprehensive business portfolio and feature-rich solutions, we can accommodate the disparate demands of a broad range of customers across public and private clouds, from small- to medium-sized enterprises to large enterprises. We have developed a highly efficient product development ecosystem, which enables us to capture complex and evolving customer demands and develop new and enhanced features and products that continue to represent compelling value propositions across our customer base. Moreover, we have developed industry-specific solutions with targeted features and functionalities for players in a number of industries, making it efficient for us to scale expediently among enterprises within the same industries.

As of December 31, 2023, 2024 and 2025, we had an active customer base of 8,703, 7,529 and 6,151 enterprises, respectively, among which 121, 114 and 102 were large-enterprise customers, respectively. In 2023, 2024 and 2025, the dollar-based net customer retention rate in relation to solutions that we offer on a recurring basis was 85.8%, 74.6% and 76.7%, respectively, and the dollar-based net customer retention rate for active customers was 89.0%, 77.4% and 79.6%, respectively. We served 279, 337 and 339 customers for our project-based solutions in 2023, 2024 and 2025, respectively...

...

Our cloud-based communications solutions enable enterprises to transform their business operations with intelligent, efficient and effective intra- and extra-organizational communications. Our cloud-based communications solutions offer the following key benefits to our customers.

Convenient on-demand access to telecommunications resources. *Telecommunications networks have traditionally operated independently from the internet. Enterprises with large amounts of communications needs originating from their business operations often lack efficient and expedient access to the telecommunications resources, which are managed by the various mobile network operators, each serving a separate geographical region in China. Our solutions are designed to integrate these networks by pooling the telecommunications resources in our cloud-based infrastructure, centrally managing and distributing them to enterprises upon demand, thus allowing enterprises to access these resources at lower costs and with higher efficiency.*

One-stop communications solutions. *Our solutions are designed to satisfy all of our customers' various communications needs from text messaging to high-quality audio and video conferencing, and from cloud-based contact centers designed for effective customer service and acquisition to large-scale, multi-format unified communications across scattered worksites. We believe our comprehensive portfolio of offerings save our customers the hassle of seeking multiple providers for different communications needs, making us the go-to one-stop destination for the disparate demands of enterprises of all sizes, industries and stages of cloud adoption.*

Intelligent communications. *Leveraging our robust AI capabilities, we enable intelligent communications to help save labor costs, improve communications efficiency and achieve higher customer service quality and level of satisfaction. In particular, our AI-powered solutions greatly improve customer service effectiveness by automating certain tasks of contact center agents, monitoring service quality and offering real-time assistance. Our AI technologies also help our customers establish internal knowledge bases and deliver intelligent internal helpdesk services to streamline their business operations.*

Easy, rapid and scalable deployment. *Our solutions are software- and cloud-based, allowing for easy deployment and management across multiple locations and on multiple devices without substantial upfront investment in hardware and infrastructure. This software- and cloud-based nature also makes scalable deployment and upgrades possible as our customers expand their operations and communications needs.*

Seamless integration and flexible configuration. *Our solutions feature various APIs and SDKs to enable voice, messaging and other communications functions, which can be readily embedded into our customers' business systems and applications and physical infrastructure as building blocks. We also allow customizable options where customers may select communications functions based on their specific needs without having to purchase pre-packaged bundle of solutions.*

Reliable customer experience. *We have independently developed many of the core technologies underlying our solutions, which we believe enables consistently high service levels. In particular, our solutions are capable of maintaining stable and safe connections with over 99.95% uptime service level commitments even in cases of sudden spikes in the amount of simultaneous communications. In addition, our robust research and development capabilities and accumulated industry experience allow us to introduce new and enhanced features and functionalities to meet evolving customer needs amid dynamic market conditions. We also provide ongoing customer support and operation maintenance services to ensure superior customer experience."*

Cloopen's strong technical capabilities are well recognized in the industry and have received numerous awards. According to Cloopen's annual report for 2025 on Form 20-F: in 2023, it was awarded the "Co-Innovation Award" and "Best Support Award" by Guangfa Bank Credit Card Center; in 2024, People's Daily subsequently officially released the "2024 China AI Large Model Industry Development Report" and its Chitu Big Model was selected as the only financial industry big model among the typical representatives of big models in China; in 2025, its big model application Copilot & Agent was selected as one of the "Top 10 Chinese Agents with the Most Global Development Potential" in the "2024 China AI Agent Annual List" released by a leading international consulting firm in collaboration with Toubao Research Institute; in 2025, it was positioned in the Leaders Category in the "IDC MarketScape: China AI-Enabled Contact Center 2025 Vendor Assessment" report released by IDC; in addition, its "Financial Large Model Copilot & Agent Solution" won the Global Silver Award in the Financial Algorithm Track at the BPAA 5th Global Applied Algorithm Model Practice Paradigm Competition, guided by the Organizing Committee of the World Artificial Intelligence Conference and the People's Government of Putuo District, Shanghai.

The Company believes acquiring an equity stake in Cloopen through the Transaction is beneficial to the Company and its Shareholders as a whole for the following reasons:

- The acquisition will significantly strengthen the Company's strategic competencies in AI retail agents in multiple dimensions. First, it will bolster the Company's engineering delivery capabilities of AI retail agents. Leveraging Cloopen's proven track record in deploying AI industry agents across complex scenarios including finance, automotive and customer service sectors, the Company will gain mature and on-the-ground expertise in incorporating AI retail agents into actual business workflows. Second, the transaction will enhance the Company's capability to internalize the Company's extensive retail industry insights covering merchandise management, store operations, supply chain systems and headquarters governance into standardized, replicable AI retail agents assets. Cloopen's on-site agent development methodology enables efficient conversion of frontline retail expertise into structured knowledge bases, business rules, standardized processes and training materials. Third, the strategic collaboration with Cloopen will strengthen the Company's multi-client parallel delivery capacity going forward. Cloopen's extensive B2B service experience and delivery resources support rapid large-scale deployment across multiple customers, eliminating constraints from in-house manpower limits. This will not only streamline the execution of individual projects, but also bridge the capability gap in scaling AI retail agents from project-based pilots to standardized, replicable commercial expansion.

- The acquisition will deepen synergy with Cloopen in the Company's existing AI customer service business. As a leading player in AI customer service sector, Cloopen owns a comprehensive product portfolio including omni-channel contact centers, voice and text robots, and cloud-based call platforms, with industry-leading core AI technologies widely recognized by authoritative institutions such as China Academy of Information and Communication Technology (CAICT) through top-tier certifications and industry awards. Currently, the Company provides the retail clients with AI customer services, covering full-link customer service such as pre-sales, after-sales, business review management, and telemarketing.

- As Cloopen has strong capabilities in existing CPaaS cloud communications, AI customer service agents, and vertical large model applications, when combined with the Company's retail digitalization insights, it can improve the clients' satisfaction, boost revenue, improve the long-term commercialization through the following pathways: (i) lead to stronger AI store customer service capabilities and efficiencies and reduce the need for human customer service with AI Agents delivering 24/7 timely responses, improving the automatic response rate and enhancing customer satisfaction with after-sales service; (ii) with the development of integrated solutions combining AI store customer service, CPaaS cloud communications, and customer relationship management, it will enable proactive marketing outreach by AI customer service, intelligent recommendations, and intelligent outbound calls, thereby improving user retention rates, repurchase rates, and average order value, and increasing the Company's revenue from communications services and value-added services; (iii) leveraging on the complementary industry customer resources of both parties, the Company can further promote its core retail industry solutions and retail agent products and expand its reach to customers in the retail and consumer industries, including the existing retail brand customers of Cloopen, and further tap into single-customer value; and (iv) leveraging on the respective strengths of both parties' R&D and delivery teams, it can reduce duplicative product R&D and delivery costs, and lower cloud and computing power costs through joint procurement, which will help improve overall gross margin and productivity of the Company.

Prior to the Transaction, some of the Company's retail customers had already been using Cloopen's AI customer service products, and the Company and Cloopen had undertaken some integration between Cloopen's AI customer service products and the Company's Dmall OS in respect of some limited functions. Following the Transaction, the Company intends to deepen the cooperation with Cloopen in phases:

- *Phase 1:* The parties will first achieve technological integration, connecting Cloopen's multiple products, including AI customer service, intelligent outbound calling and data analytics, with the Company's Dmall OS, thereby forming a scalable integrated solution for "retail digital intelligence + AI customer service." From an engineering and R&D perspective, leveraging its experience in implementing AI agent products in industries such as finance, automotive, and consumer goods, Cloopen will support the Company in developing AI retail product agents and AI retail store operations agents, thereby improving the Company's development efficiency of AI application products.

- *Phase 2:* The Company will then implement and promote such AI retail product agents, AI retail store operations agents, and AI customer service. In this regard, Cloopen may provide further support as it has extensive B2B service experience and delivery resources, enabling it to support the rapid large-scale deployment of these products across multiple customer projects and enhance the Company's ability to deliver concurrently to multiple customers. The parties will also advance cross-selling of the integrated solution for "retail digital intelligence + AI customer service" in overseas markets, with a focus on Southeast Asia.

Based on the factors and analyses considered as set out in the section headed "Basis of Consideration of the Transaction" above, and Cloopen's long-term technological capabilities, customer value, industry position as well as the complementary contribution to the Company's business, the Board believes the terms of the Transaction, including the proposed price at which the Company will be able to acquire equity interest in Cloopen, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

None of the Directors has a material interest in the transaction contemplated under the Agreements or is required to abstain from voting on the Board resolution for considering and approving the same.

5. INFORMATION ON THE PARTIES

The Group

The Company is one of the leading providers of AI retail agents in China and Asia, which offers a range of principal products and services designed to digitalize and optimize operations of the local retailers. The principal activities of the Company consist of the provision of AI retail core solution and AI retail value-added service to customers.

As at the Latest Practicable Date, the Group has no shareholding in Cloopen; it is expected that the Group (through the Purchaser) will acquire an effective economic interest of 34.03% in Cloopen pursuant to the Transaction.

The Purchaser

The Purchaser is a company incorporated in Hong Kong and is primarily engaged in development and delivery of retail technology. The Purchaser is an indirectly wholly-owned subsidiary of the Company.

Mr. Sun and Mr. Sun's Entity

Changxun Sun is the founder and chief executive officer of Cloopen. Mr. Sun's Entity, i.e. Cloopen Co., Ltd., is an investment holding company wholly-owned by Mr. Sun.

As at the Latest Practicable Date, Mr. Sun (including through Mr. Sun's Entity and Flawless Success Limited, a nominee of an employee incentive trust that holds shares for and on behalf of the grantees under Cloopen's share incentive plans issued due to exercise of options) holds 2,000,000 Class A Cloopen Shares and 25,649,839 Class B Cloopen Shares, representing 8.53% of the equity interest and 46.58% of the voting powers in Cloopen. As of the Latest Practicable Date and based on the latest Schedule 13E-3 filing made by Cloopen with the SEC on June 2, 2026, it is expected that Mr. Sun (including through Mr. Sun's Entity and Flawless Success Limited) will hold approximately 9.07% effective economic interest in Cloopen following the Merger Closing.

The Initial Sponsor

Trustbridge Partners VII, L.P. is an exempted limited partnership organized under the Laws of the Cayman Islands. The principal business of Trustbridge Partners VII, L.P. is to make private equity investments in selected sectors. It is an investment fund with a wide investor base.

The general partner of the general partner of Trustbridge Partners VII, L.P. is TB Partners GP7 Limited, which, through its board of directors, has the power to direct the voting and disposition of the securities held by the entity. The sole shareholder and one of the directors of TB Partners GP7 Limited is Shujun Li. None of Shujun Li, the other members of the board of directors of TB Partners GP7 Limited or the limited partners of Trustbridge Partners VII, L.P. holds 30% or more partnership interest in Trustbridge Partners VII, L.P..

As at the Latest Practicable Date, Trustbridge Partners V, L.P., an affiliate of the Initial Sponsor, holds 38,474,611 Class A Cloopen Shares, representing 11.87% of the equity interest and 6.93% of the voting powers in Cloopen. As of the Latest Practicable Date and based on the latest Schedule 13E-3 filing made by Cloopen with the SEC on June 2, 2026, it is expected that Trustbridge Partners VII, L.P. and Trustbridge Partners V, L.P. will together hold approximately 45.77% effective economic interest in Cloopen following the Merger Closing; no other Investor is expected to acquire a controlling stake in Cloopen through the Proposed Privatization.

Parent Parties

Each of the Parentco, the Holdco and the Merger Sub is an exempted company with limited liability incorporated under the laws of the Cayman Islands. As of the Latest Practicable Date, the Holdco is a wholly owned subsidiary of Parentco, and the Merger Sub is a wholly owned subsidiary of Holdco.

Each of the Parentco, the Holdco and the Merger Sub was established by the Initial Sponsor on March 6, 2026, March 6, 2026 and March 30, 2026, respectively, for the purposes of executing the Merger. Other than to hold and conduct the equity financing and debt financing in connection with the Proposed Privatization, and, following the Merger Completion and the Merger taking effect, to hold the equity interests in Cloopen, the Parent Parties do not have any other operations and/or assets. Therefore, there is no meaningful historical financial information of the Parent Parties available.

Upon the Merger Closing and the Merger taking effect, according to the Initial Sponsor based on information available to it as of the Latest Practicable Date, the shareholding of each of the Parentco and the Holdco is expected to be as follows:

Parentco

Shareholder	**Approximate shareholding %**
The Initial Sponsor	49.79%
The Purchaser	49.79%
Mr. Sun's Entity	0.42%
Total:	100%

Holdco

Shareholder	**Approximate shareholding %**
Parentco	68.35%
Trustbridge Partners V, L.P.	11.74%
Mr. Sun's Entity	7.83%
Image Frame Investment (HK) Limited	3.98%
Novo Investment HK Limited	3.60%
Flawless Success Limited	0.95%
Parantoux Vintage PE Ltd.	0.95%
Individual holders of equity awards of Cloopen that are eligible to receive replacement equity awards under the Holdco equity incentive plan	2.59%
Total:	100%

Cloopen

Cloopen (OTC: RAASY), a company incorporated under the laws of the Cayman Islands, is a leading multi-capability cloud-based communications solution provider in China offering a full suite of cloud-based communications solutions, covering communications platform as a service (CPaaS), cloud-based contact centers, and cloud-based unified communications and collaborations. Its ADSs are currently quoted on the OTC market in the United States.

Based on the audited consolidated financial statements of Cloopen prepared in accordance with the U.S. GAAP, the financial information of Cloopen for the financial years ended December 31, 2025, 2024 and 2023 is as follows:

	For the year ended December 31,		
	2025	2024	2023
	(audited)	*(audited)*	*(audited)*
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Revenue	**535,709**	573,566	571,024
Loss before income taxes	**(239,621)**	(147,143)	(412,938)
Net loss	**(238,801)**	(146,827)	(412,374)

Based on the audited consolidated financial statements of Cloopen for the financial years ended December 31, 2025 and 2024, the net asset value of Cloopen as at December 31, 2025 and 2024 was approximately RMB831,934,000 and RMB1,064,579,000, respectively.

Considering that the net asset value of the Cloopen Group as at December 31, 2025 is positive and substantial; the net losses of the Cloopen Group in 2024 and 2025 narrowed compared with those in 2023; Cloopen's leading position in the cloud based communication service provider industry in China (noting that it had over six thousand customers as of December 31, 2025, including over 102 large-enterprise customers); the expected cost saving resulting from Cloopen becoming a private company; the confirmation by Cloopen that it had sufficient cashflow for the next 12 months given in each of its 2023, 2024 and 2025 annual reports (i.e. Form 20-F); and there having been no going concern issue in the Cloopen Group's accountants' report for each of 2023, 2024 and 2025 financial years, the Company does not consider there is material concern over the business sustainability of the Cloopen Group.

According to the news release made by Cloopen on October 25, 2023, on May 18, 2023, it received a notice from the NYSE regarding the commencement of delisting proceedings of its ADSs on the basis that it failed to file its annual reports on Form 20-F for the years ended December 31, 2021 and December 31, 2022 and current report on Form 6-K for the half year ended June 30, 2022 by May 17, 2023, which was the maximum time allowed under Section 802.01E of the NYSE's Listed Company Manual (the "**Determination**"); Cloopen subsequently filed with the NYSE a written request for a review of the Determination by the committee for review of the board of directors of the NYSE, and on October 25, 2023, the committee affirmed the Determination. Cloopen was delisted from the NYSE on October 25, 2023. Its ADSs remain quoted and traded on the OTC market in the United States.

Further, according to the news release of the SEC dated February 6, 2024, the SEC settled the accounting fraud charges against Cloopen previously initiated. According to the SEC's order, two senior managers who led Cloopen's strategic customer contracts and key accounts department orchestrated a fraudulent scheme from May 2021 through February 2022 to prematurely recognize revenue on service contracts. The order finds that, facing pressure to meet strict quarterly sales targets, the two senior managers directed their employees to improperly recognize revenue on numerous contracts for which Cloopen had either not completed work or, in some instances, not even started work. As a result of this misconduct and other accounting errors, Cloopen overstated its unaudited financial results for the second and third quarters of 2021 and its announced revenue guidance for the fourth quarter of 2021. Within a few days of starting an internal investigation, Cloopen self-reported the accounting violations to the SEC and subsequently provided substantial cooperation to the staff, including summarizing interviews of witnesses located in China and identifying and translating key documents originally written in Chinese. Cloopen also implemented prompt remedial measures, which included firing or disciplining the people involved in the fraudulent scheme, reorganizing the departments engaged in the misconduct, strengthening its accounting controls, and recruiting new finance and accounting staff with expertise in U.S. generally accepted accounting principles.

In respect of the above incident, the Company had also reviewed all SEC filings made by Cloopen in relation thereto during its due diligence process, which reported on the investigation and remedial measures taken by Cloopen in respect of the incident. According to Cloopen's SEC filings, on May 3, 2022, Cloopen formed an independent special committee comprising of three independent directors to investigate certain employee misconduct and transaction irregularities raised to the board's attention by its then external auditors; the special committee was empowered to retain independent advisors, including independent legal advisors and forensic accountants, in connection with the investigation. On September 6, 2022, the special committee had substantially completed its independent internal investigation and announced its findings; it was also announced that Cloopen had taken significant remedial measures, including, among others, discontinuing certain implicated business department and terminating, requesting the resignation of, or giving disciplinary warnings to relevant employees; in connection with the special committee's findings and recommendations, Cloopen was also in the process of implementing a number of additional remedial measures to enhance internal controls and financial review policies and procedures, including, among others, improving various relevant internal policies and providing related employee trainings. Cloopen also announced the settlement with the SEC in February 2024.

Considering the above matters have been resolved and settled, the proactive actions taken by Cloopen in investigating and resolving such matters, its cooperation with the SEC in the regulatory investigation, and the remedial measures it implemented following the incident, the Board does not consider its assessment of the reasons and benefits of the Transaction to be materially and adversely affected by the above matters. To the Company's knowledge, the above matters do not affect the audited consolidated financial statements of the Cloopen Group for the years ended December 31, 2023, 2024 and 2025.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Agreements, each of Mr. Sun (and Mr. Sun's Entity), the Initial Sponsor, TB Partners GP7 Limited (and Shujun Li and the other members of its board of directors), the Parent Parties and Cloopen is a third party independent of the Company and its connected persons.

Shareholders and potential investors should note that (i) the Transaction and the Merger are subject to fulfilment (or waiver) of certain conditions precedent and may or may not proceed, and (ii) the Merger is subject to the approval from the shareholders of Cloopen which may or may not be obtained. Shareholders and potential investors should exercise caution when dealing in the relevant securities of the Company.

6. FINANCIAL EFFECTS OF THE TRANSACTION ON THE GROUP

Even if the Commitment is adjusted to the maximum amount of US$40.5 million, the Purchaser's equity interest in Parentco will not exceed 50% (as the other Investors' commitments will also increase). As such, upon the Merger Closing and the Merger becoming effective, none of Parentco, Holdco and Cloopen will become a subsidiary of the Company and their financial results will not be consolidated into the accounts of the Group; instead, they will be accounted for as associates of the Group.

Based on the expected utilization of the Commitment as of the Latest Practicable Date of approximately US$35,163,980, following the Merger Completion and the Merger taking effect, the Purchaser will hold approximately 49.79% of the equity interest in Parentco, which will in turn hold approximately 68.35% of the equity interest in Cloopen; that is, the Purchaser will hold an effective economic interest of approximately 34.03% in Cloopen. Based on the foregoing and assuming the Merger Completion had taken place on December 31, 2025 and the Merger took effect on the same day: (i) the Transaction will decrease the amount of cash of the Group held as at December 31, 2025 by the utilized amount of the Commitment of approximately US$35,163,980 (equivalent to approximately RMB247,160,583), as the Company will settle the consideration under the Transaction using its own funds; and (ii) the Group's interest in an associate, which is part of its non-current assets, will correspondingly increase by approximately US$35,163,980, (equivalent to approximately RMB247,160,583).

In view of the immaterial transaction costs to be incurred for the Transaction and save as disclosed above, there will be no immediate material effect on the earnings and assets and liabilities of the Group associated with the Transaction.

The details of the financial effect of the Transaction on the financial position of the Group together with the bases and assumption taken into account in preparing such unaudited pro forma financial information are set out, for illustrative purpose only, in Appendix IIIB to this circular.

7. IMPLICATIONS OF THE TRANSACTION UNDER THE LISTING RULES

Based on the maximum possible Commitment of US$40.5 million, one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transaction is more than 25% and less than 100%, the Transaction therefore constitutes a major transaction of the Company under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to the Listing Rules, Shareholders' approval is required for a major transaction. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Transaction, therefore no Shareholder would be required to abstain from voting if the Company was to convene a general meeting for approving the Transaction. The Company will not be required to convene a general meeting for approving the Transaction for being a major transaction because the Company has obtained the written shareholder's approval from Celestial Limited, Odor Nice Limited and Retail Enterprise Corporation Limited in lieu of convening a general meeting as permitted by Rule 14.44 of the Listing Rules. As at the Latest Practicable Date, Celestial Limited, Odor Nice Limited

and Retail Enterprise Corporation Limited each holds 423,470,475, 68,880,650 and 10,101,010 Shares, representing approximately 48.45%, 7.88% and 1.16% of the issued share capital (excluding treasury shares) of the Company, respectively; together, they hold 502,452,135 Shares, representing approximately 57.49% of the issued share capital (excluding treasury shares) of the Company. Celestial Limited, Odor Nice Limited and Retail Enterprise Corporation Limited are all controlled by Dr. Zhang Wenzhong, controlling shareholder of the Company.

8. WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

Waiver for the inclusion of the accountants' report of Cloopen to be prepared in accordance with IFRS Accounting Standards

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, this circular must contain, among others, an accountants' report on Cloopen in accordance with Chapter 4 of the Listing Rules.

The Company has applied to the Stock Exchange and the Stock Exchange has granted waiver from strict compliance with Rule 14.67(6)(a)(i) on the following grounds:

Cloopen will not become a subsidiary of the Company

(a) Rule 14.67(6)(a)(i) of the Listing Rules provides that where a company proposed to be acquired by a listed issuer has not or will not become a subsidiary of the listed issuer, the Stock Exchange may be prepared to relax the requirement under Rule 14.67(6)(a)(i).

(b) The Company had no shareholding in the Parent Parties or Cloopen as at the Latest Practicable Date, and only had access to the same information of Cloopen as the other Investors and potential investors of the Proposed Privatization. Assuming all of the conditions are satisfied or waived according to the terms of the relevant agreement, and based on the expected utilization of the Commitment as of the Latest Practicable Date of approximately US$35,163,980, following the Merger Completion and the Merger taking effect, the Purchaser will hold approximately 49.79% of the equity interest in Parentco, which will in turn hold approximately 68.35% of the equity interest in Cloopen; that is, the Purchaser will hold an effective economic interest of approximately 34.03% in Cloopen. Even if the Commitment is adjusted to the maximum amount of US$40.5 million, the Purchaser's equity interest in Parentco will not exceed 50% (as the other Investors' commitments will also increase). As such, none of Parentco, Holdco and Cloopen will become a subsidiary of the Company and their financial results will not be consolidated into the accounts of the Group as a result of the Transaction.

The ADSs of Cloopen are quoted on the OTC market in the United States and Cloopen has published its historical financial information

(a) The ADSs of Cloopen are quoted on the OTC market in the United States. Cloopen is subject to the regulatory supervision of the SEC and it has published its historical financial information pursuant to applicable laws and regulations. Such financial information can be easily obtained by the Shareholders from the website of the SEC (http://www.sec.gov) and will enable them and the investing public to make a properly informed assessment of Cloopen's historical financial performance.

(b) Cloopen's financial statements are prepared in accordance with U.S. GAAP. Cloopen's financial statements for each of the financial years ended December 31, 2023, 2024 and 2025 were audited by Cloopen's auditors, ARK PRO CPA & Co ("**ARK**"), in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("**PCAOB**"). ARK is a public accounting firm registered with the PCAOB and is required to be independent with respect to Cloopen in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB. ARK issued clean opinions on Cloopen's audited financial statements.

Strict compliance with the requirements of accountants' report is impractical and unduly burdensome

(a) Given that Cloopen and the Company have adopted different financial reporting standards, it is unduly burdensome and practically difficult for Cloopen and the Company to engage internal and external resources to prepare an accountants' report on Cloopen under Rule 14.67(6)(a)(i) of the Listing Rules in light of the substantial time, resources and costs required, which will not be in the interests of the Company and its Shareholders as a whole.

(b) Given that the Company currently has no shareholding in, and does not exercise any degree of control over Cloopen, the Company is not in a position to gain access to the underlying accounting records and other internal information of Cloopen that are confidential and non-public to facilitate its own auditors preparing financial statements in accordance with IFRS Accounting Standards. Cloopen, as a company with its securities traded on the OTC market in the United States, is not obliged to disclose any financial information which has not been published in accordance with applicable laws and regulations. Strict compliance with the accountants' report requirements by the Company is impractical.

(c) In addition, in light of the alternative disclosures made in this circular (see paragraph headed "Alternative disclosures" below), the inclusion of an accountants' report in accordance with Rule 14.67(6)(a)(i) of the Listing Rules is unlikely to put the Shareholders of the Company in a substantially better position to assess Cloopen's performance and financial position.

Alternative disclosures

In replacement of an accountants' report of Cloopen prepared in accordance with IFRS, the Company proposes to include the following disclosure in this circular:

(a) the audited consolidated financial statements of the Cloopen Group for the financial years ended December 31, 2023, 2024 and 2025 prepared in accordance with U.S. GAAP, extracted from the U.S. equivalents of the annual reports of Cloopen (i.e. Form 20-F), which are set out in Appendix II to this circular;

(b) a line-by-line reconciliation of the consolidated financial statements of the Cloopen Group for the financial years ended December 31, 2023, 2024 and 2025 to address the differences in the Cloopen Group's financial statements had they been prepared in accordance with the Company's accounting policies under IFRS Accounting Standards, with explanations of the differences (the "**Reconciliation**"). The Company has engaged GTG CPA Limited ("**GTG**") to review the Reconciliation under "Hong Kong Standard of Assurance Engagements 3000 (Revised)" issued by HKICPA. The line-by-line reconciliation will demonstrate the differences and financial impact of each line item of the Cloopen Group's financial history of results and assets and liabilities between its accounting policies under U.S. GAAP and the accounting policies of the Group under IFRS Accounting Standards, with an explanation of the differences and financial impact of each line item in accompanying notes. As such, the line-by-line reconciliation would provide the Cloopen Group's financial information under IFRS Accounting Standards to facilitate the Shareholders' assessment of its historical performance and financial position, which is set out in Appendix IIIA to this circular;

(c) the unaudited pro-forma consolidated assets and liabilities of the Group as at December 31, 2025 as if the Merger Closing had taken place and the Merger had become effective on December 31, 2025 which the Company's auditors, KPMG, have performed relevant procedures in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA, which are set out in Appendix IIIB to this circular;

(d) the "Operating and Financial Review and Prospects" section, extracted from the U.S. equivalent of the annual report of Cloopen, for each of the years ended December 31, 2023, 2024 and 2025, which are set out in Appendix IV to this circular; and

(e) additional disclosures extracted from the U.S. equivalent of the annual report of Cloopen, for each of the years ended December 31, 2023, 2024 and 2025 that otherwise satisfy the requirements in paragraph 32 of Appendix D2 to the Listing Rules, which are set out in Appendix IV to this circular.

Based on its review of the audited consolidated financial statements of the Cloopen Group for each of the three financial years ended December 31, 2025 as extracted in Appendix II to this circular, the Company is not aware of any additional material information to be disclosed under Rules 4.05 (including ageing analysis of accounts receivable and accounts payable under Rule 4.05(2), as the Cloopen Group's net accounts receivables and net accounts payable are classified as current assets and current liabilities, respectively, and therefore have ageing of less than 12 months), 4.06 (including significant subsequent events under Rule 4.06(9)), 4.07 and 4.08 of the Listing Rules therein. Further, based on its review of the management discussion and analysis and the other disclosures of Cloopen as extracted in Appendix IV to this circular, the Company is not aware of any additional material information to be disclosed under paragraph 32 (including gearing ratios under paragraph 32(10) as the Cloopen Group did not have bank borrowing or other borrowing as at December 31, 2023, 2024 and 2025, respectively) of Appendix D2 to the Listing Rules.

Based on the information provided by the Company and the alternative disclosure above, the Stock Exchange granted the waiver from strict compliance with Rules 14.67(6)(a)(i) under the Listing Rules.

9. RECOMMENDATION

The Directors are of the view that the terms of the Transaction contemplated under the Agreements are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, should a resolution be put at a general meeting of the Company for the Shareholders to consider the same, the Directors would recommend the Shareholders to vote in favour of such resolution. As disclosed above, the Company has obtained the written approval from Celestial Limited, Odor Nice Limited and Retail Enterprise Corporation Limited for approving the Transaction.

10. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

11. GENERAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
On behalf of the Board
Dmall Inc.
Mr. Curtis Alan Ferguson
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the financial years ended December 31, 2023, December 31, 2024 and December 31, 2025 is disclosed in the following documents which have been published on the websites of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company (https://ir.dmall.com/). Web links to the Prospectus and the annual reports of the Company are set out below:

Prospectus (containing financial information for the year ended December 31, 2023):
https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1128/2024112800015.pdf

Annual report of the Company for the year ended December 31, 2024:
https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0423/2025042300823.pdf

Annual report of the Company for the year ended December 31, 2025:
https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0423/2026042301968.pdf

2. INDEBTEDNESS STATEMENT

As at the close of business on May 31, 2026, being the most recent practicable date for the purpose of this statement of indebtedness prior to the publication of this circular, the indebtedness of the Group was as follows:

	As at May 31, 2026
	RMB'000
Bank loans	
– Secured	127,215
– Unsecured	285,760
	412,975
Borrowings from other company	
– Unsecured	3,966
Lease liabilities	33,786
Total	450,727

As at the close of business on May 31, 2026, being the latest practicable date for the purpose of this statement of indebtedness prior to the publication of this circular, except as disclosed above and apart from intra-group liabilities, the Group did not have (i) any debt securities issued or outstanding, (ii) any authorised or otherwise created but unissued, terms loans, other borrowings and indebtedness, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits or hire purchase commitments, lease liabilities, mortgages, charges, guarantees, or (iii) any contingent liabilities.

3. WORKING CAPITAL SUFFICIENCY

After due and careful consideration, the Directors are of the opinion that, taking into account the financial resources available to the Group including cash flows to be generated from the operating activities and the available credit facilities, the Group has sufficient working capital for its requirements for at least 12 months from the date of this circular, in the absence of unforeseen circumstances. As at the date of this circular, the Company has obtained the confirmation as required under Rule 14.66(12) of the Listing Rules from the auditors of the Company.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2025, being the date to which the latest published audited consolidated accounts of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In 2025, the Group achieved high-quality growth with AI technology as its core driving force. During the financial year ended December 31, 2025, the Group delivered robust operating results: total revenue increased by 19.8% year-on-year to RMB2,226.8 million, and net profit of RMB127.1 million. With AI technology serving as a core engine, the Group comprehensively advanced product upgrades, innovation, and commercialization. During the 2025 financial year, the Group recorded revenue from AI businesses of RMB64.4 million, which was one of the key growth drivers of the Group.

The Group is committed to accelerating the implementation of retail AI agents to deeply penetrate all operational scenarios across the retail chain, ultimately achieving autonomous decision-making, closed-loop management, and continuous evolution, and constructing an intelligent operation system covering all aspects of retail.

Given the technical capabilities and expertise of Cloopen, the Company believes acquiring an equity stake in Cloopen through the Transaction will boost the Group's progress in its implementation of retail AI agents. Deeper collaboration with Cloopen will bolster the Group's engineering delivery capabilities of AI retail agents; enhance the Company's capability to internalize the Company's extensive retail industry insights by deploying Cloopen's on-site agent development methodology; strengthen the Company's multi-client parallel delivery capacity by leveraging Cloopen's extensive B2B service experience and delivery resources; and deepen the synergy between Cloopen's AI customer service solutions and the Company's existing AI customer service business.

The following is an extract of the audited consolidated financial statements of the Cloopen Group for the years ended December 31, 2023, 2024 and 2025, which were prepared in accordance with U.S. GAAP, as extracted from the respective annual reports of the Cloopen Group for the years ended December 31, 2023, 2024 and 2025. These financial statements were issued in English and the Chinese translated version is provided for information purposes only. In case of discrepancies between the two versions, the English version shall prevail.

The annual reports and consolidated financial statements of the Cloopen Group for the three years ended December 31, 2023, 2024 and 2025 are available at the website of the SEC (http://www.sec.gov).

The Directors wish to emphasise that the extracts reproduced below are not prepared for incorporation into this circular and the Company has not participated in their preparation. As such, the Directors do not express any view as to their truth, accuracy or completeness, and the Shareholders and investors should exercise caution and should not place undue reliance on such information.

A. THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CLOOPEN GROUP FOR THE YEAR ENDED DECEMBER 31, 2023

CLOOPEN GROUP HOLDING LIMITED

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To the Shareholders and Board of Directors
Cloopen Group Holding Limited:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Cloopen Group Holding Limited (the "Company"), its subsidiaries and its variable interest entities (collectively the "Group") as of December 31, 2022 and 2023, the related consolidated statements of comprehensive loss, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2023, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ ARK PRO CPA & Co

We have served as the Company's auditor since 2023.

Hong Kong, China

March 24, 2025

CLOOPEN GROUP HOLDING LIMITED

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Notes	December 31, 2022	December 31, 2023	
		RMB	RMB	US$
ASSETS				
Current assets				
Cash	4	526,740	377,947	53,233
Restricted cash	4	525	4,502	634
Term deposits	2(i)	915,845	545,368	76,813
Short-term investments	16	412,031	422,559	59,516
Accounts receivable – third parties, net	5	133,577	143,421	20,200
Accounts receivable – related parties, net	5,21	99	704	99
Contract assets	19	50,838	26,107	3,677
Amounts due from a related party	21	105	3,350	472
Prepayments and other current assets	6	108,129	109,455	15,417
Total current assets		**2,147,889**	**1,633,413**	**230,061**
Non-current assets				
Long-term investments	7	58,530	54,049	7,613
Property and equipment, net	8	14,389	10,385	1,463
Operating lease right-of-use assets	9	16,342	13,992	1,971
Intangible assets, net	10	16,934	14,294	2,013
Goodwill	11	54,427	54,427	7,666
Other non-current assets		4,580	3,528	497
Total non-current assets		**165,202**	**150,675**	**21,223**
Total assets		**2,313,091**	**1,784,088**	**251,284**
LIABILITIES AND SHAREHOLDERS' EUQITY				
Current liabilities				
Accounts payable		122,124	87,729	12,356
Contract liabilities	19	359,801	363,228	51,160
Operating lease liabilities-current	9	10,162	10,300	1,451
Amounts due to related parties	21	780	205	29
Payable for business acquisition	4	8,915	-	-
Accrued expenses and other current liabilities	12	242,724	124,540	17,541
Total current liabilities		**744,506**	**586,002**	**82,537**
Non-current liabilities				
Operating lease liabilities-non current	9	6,448	2,164	305
Deferred income tax liabilities	17	1,285	857	121
Other non-current liabilities		910	27	4
Total non-current liabilities		**8,643**	**3,048**	**430**
Total liabilities		**753,149**	**589,050**	**82,967**
Commitments and contingencies (Note 20)				
SHAREHOLDERS' EQUITY:				
Class A Ordinary Shares (US$0.0001 par value, 600,000,000 shares authorized, 309,105,485 shares issued as of December 31, 2022 and 2023, and 301,287,039 and 308,308,147 shares outstanding as of December 31, 2022 and 2023, respectively)		193	195	27
Class B Ordinary Shares (US$0.0001 par value, 25,649,839 shares authorized, issued and outstanding as of December 31, 2022 and 2023; each Class B ordinary share is convertible into one Class A ordinary share)		17	17	2
Additional paid-in capital		11,184,360	11,210,542	1,578,972
Treasury stock		(120,899)	(120,899)	(17,028)
Accumulated other comprehensive loss		(78,613)	(57,327)	(8,074)
Accumulated deficit		(9,421,840)	(9,831,562)	(1,384,747)
Total shareholders' Equity attributable to Cloopen Group Holding Limited		**1,563,218**	**1,200,966**	**169,152**
Non-controlling interests		**(3,276)**	**(5,928)**	**(835)**
Total shareholders' Equity		**1,559,942**	**1,195,038**	**168,317**
Total liabilities and shareholders' equity		**2,313,091**	**1,784,088**	**251,284**

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Notes	Year ended December 31,			
		2021	2022	2023	
		RMB	RMB	RMB	US$
Revenues (including related parties amounts of RMB 5,994, RMB 1,377 and RMB 919 for the years ended December 31,2021, 2022 and 2023, respectively)	19,21	752,688	593,634	571,024	80,427
Cost of revenues (including related parties amounts of RMB nil, nil and 3,623 for the years ended December 31, 2021, 2022 and 2023, respectively)	21	(480,755)	(367,334)	(366,375)	(51,603)
Gross profit		271,933	226,300	204,649	28,824
Operating expenses:					
Selling and marketing expenses		(300,043)	(265,304)	(227,543)	(32,049)
General and administrative expenses		(385,498)	(319,217)	(191,113)	(26,918)
Impairment loss of goodwill		(149,092)	(107,407)	-	-
Impairment loss of intangible assets		(136)	(28,011)	-	-
Provision for U.S Class Action		-	(83,575)	-	-
Other operating expenses		(51,354)	(70,417)	-	-
Research and development expenses (including related parties amounts of RMB1,974, nil and nil for the years ended December 31, 2021, 2022 and 2023, respectively)	21	(297,360)	(326,513)	(222,538)	(31,344)
Total operating expenses		**(1,183,483)**	**(1,200,444)**	**(641,194)**	**(90,311)**
Operating loss		**(911,550)**	**(974,144)**	**(436,545)**	**(61,487)**
Interest expenses		(366)	(428)	-	-
Interest income		11,344	14,627	26,826	3,778
Investment income		-	340	563	79
Share of losses of equity method investments	7	(596)	(1,969)	(1,470)	(207)
Gain from disposal of long-term investments		-	5,138	-	-
Change in fair value of long-term investments		47,247	-	-	-
Impairment loss of long-term investments	7	(6,603)	(7,400)	(8,011)	(1,128)
Change in fair value of warrant liabilities	13	(29,011)	-	-	-
Gain(loss) from disposal of subsidiaries, net		2,899	(2,739)	-	-
Foreign currency exchange gains (losses), net		(6,696)	(9,666)	5,699	803
Loss before income taxes		**(893,332)**	**(976,241)**	**(412,938)**	**(58,162)**
Income tax expense	17	(11,120)	342	564	79
Net loss		**(904,452)**	**(975,899)**	**(412,374)**	**(58,083)**
Net loss attributable to non-controlling interests		**(593)**	**(1,001)**	**(2,652)**	**(374)**
Net loss attributable to Cloopen Group Holding Limited		**(903,859)**	**(974,898)**	**(409,722)**	**(57,709)**
Accretion and modifications of Redeemable Convertible Preferred Shares	14	(4,878,652)	-	-	-
Net loss attributable to ordinary shareholders		**(5,782,511)**	**(974,898)**	**(409,722)**	**(57,709)**
Net loss		**(904,452)**	**(975,899)**	**(412,374)**	**(58,083)**
Other comprehensive income (loss):					
Foreign currency translation adjustment, net of nil income taxes		(308,001)	153,655	21,286	2,998
Total other comprehensive income (loss)		**(308,001)**	**153,655**	**21,286**	**2,998**
Comprehensive loss		**(6,091,105)**	**(822,244)**	**(391,088)**	**(55,085)**
Comprehensive loss attributable to non-controlling interests		(593)	(1,001)	(2,652)	(374)
Comprehensive loss attributable to Cloopen Group Holding Limited		**(6,090,512)**	**(821,243)**	**(388,436)**	**(54,711)**
Net loss per ordinary share					
—Basic and diluted	18	(19.62)	(3.03)	(1.27)	(0.18)
Weighted average number of ordinary shares outstanding used in computing net loss per ordinary share					
—Basic and diluted	18	294,793,258	321,885,046	321,945,825	321,945,825

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Note	A ordinary shares		B Ordinary shares		Treasury Shares	Pre-offering Class A ordinary shares		Pre-offering Class B ordinary shares		Additional paid-in capital	Subscription receivable	Accumulated other comprehensive income(loss)	Accumulated deficit	Total shareholders' equity attributable to Cloopen Group Holding Limited	Non-controlling interests	Total shareholders' equity
		Number of shares	RMB	Number of shares	RMB	RMB	Number of shares	RMB	Number of shares	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2021		-	-	-	-	-	**41,932,446**	**29**	**55,957,962**	**33**	-	-	**75,733**	**(2,681,632)**	**(2,605,837)**	**2,513**	**(2,603,324)**
Issuance of ordinary shares to Cloopen Japan's non-controlling interest shareholders as share based compensation	16	-	-	-	-	-	1,424,312	1	-	-	20,620	-	-	-	20,621	(5,867)	14,754
Exercise of options before IPO		-	-	-	-	-	11,697,012	7	-	-	15,917	-	-	-	15,924	-	15,924
IPO Pre-offering ordinary shares converted to ordinary shares		85,361,893	53	25,649,839	17	-	(55,053,770)	(37)	(55,957,962)	(33)	-	-	-	-	-	-	-
IPO preferred shares converted to ordinary shares		158,900,014	103	-	-	-	-	-	-	-	8,539,512	(336,179)	-	-	8,203,436	-	8,203,436
Initial Public Offering		46,000,000	30	-	-	-	-	-	-	-	2,195,797	-	-	-	2,195,827	-	2,195,827
Exercise of Warrant C		638,569	-	-	-	-	-	-	-	-	38,844	-	-	-	38,844	-	38,844
Change in the ownership interest in subsidiaries		-	-	-	-	-	-	-	-	-	251	-	-	-	251	89	340
Exercise of options		6,385,825	4	-	-	-	-	-	-	-	10,964	-	-	-	10,968	-	10,968
Issuance of restricted ordinary shares to company's interest shareholders as share based compensation	16	2,411,177	2	-	-	-	-	-	-	-	89,784	-	-	-	89,786	-	89,786
Acquisition of Kunlun		-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,793	2,793
Repurchase of ordinary shares		-	-	-	-	(81,638)	-	-	-	-	-	-	-	-	(81,638)	-	(81,638)
Acquisition of subsidiaries Zhuge	4	30,462	-	-	-	-	-	-	-	-	299	-	-	-	299	-	299
Receive the Subscription receivables for Series C and Series E Redeemable Convertible Preferred Shares	15	-	-	-	-	-	-	-	-	-	-	336,179	-	-	336,179	-	336,179
Net loss		-	-	-	-	-	-	-	-	-	-	-	-	(903,859)	(903,859)	(593)	(904,452)
Share-based compensation	16	-	-	-	-	-	-	-	-	-	172,188	-	-	-	172,188	-	172,188
Accretion and modification of Redeemable Convertible Preferred Shares		-	-	-	-	-	-	-	-	-	(17,201)	-	-	(4,861,451)	(4,878,652)	-	(4,878,652)
Foreign currency translation adjustment, net of nil income taxes		-	-	-	-	-	-	-	-	-	-	-	(308,001)	-	(308,001)	-	(308,001)
Balance as of December 31, 2021		**299,727,940**	**192**	**25,649,839**	**17**	**(81,638)**	-	-	-	-	**11,066,975**	-	**(232,268)**	**(8,446,942)**	**2,306,336**	**(1,065)**	**2,305,271**

The accompanying notes are an integral part of these consolidated financial statements

CLOOPEN GROUP HOLDING LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Note	Class A ordinary shares		Class B ordinary shares		Treasury Shares	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity attributable to Cloopen Group Holding Limited	Non-controlling interests	Total shareholders' equity
		Number of shares	RMB	Number of shares	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2022		**299,727,940**	**192**	**25,649,839**	**17**	**(81,638)**	**11,066,975**	**(232,268)**	**(8,446,942)**	**2,306,336**	**(1,065)**	**2,305,271**
Change in the ownership interest in the subsidiaries		-	-	-	-	-	4,877	-	-	4,877	(1,210)	3,667
Exercise option		8,529,150	1	-	-	-	4,012	-	-	4,013	-	4,013
Issuance of restricted ordinary shares to company's interest shareholders as share based compensation	15	-	-	-	-	-	1,034	-	-	1,034	-	1,034
Repurchase of common shares		797,338	-	-	-	(39,261)	-	-	-	(39,261)	-	(39,261)
Net loss		-	-	-	-	-	-	-	(974,898)	(974,898)	(1,001)	(975,899)
Share-based compensation	15	-	-	-	-	-	107,462	-	-	107,462	-	107,462
Foreign currency translation adjustment, net of nil income taxes		-	-	-	-	-	-	153,655	-	153,655	-	153,655
Balance as of December 31, 2022		**309,054,428**	**193**	**25,649,839**	**17**	**(120,899)**	**11,184,360**	**(78,613)**	**(9,421,840)**	**1,563,218**	**(3,276)**	**1,559,942**

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	Class A ordinary shares		Class B ordinary shares		Treasury Shares	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity attributable to Cloopen Group Holding Limited	Non-controlling interests	Total shareholders' equity
		Number of shares	RMB	Number of shares	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2023		**309,054,428**	**193**	**25,649,839**	**17**	**(120,899)**	**11,184,360**	**(78,613)**	**(9,421,840)**	**1,563,218**	**(3,276)**	**1,559,942**
Cumulative effect of adoption of ASC 326	2	-	-	-	-	-	-	-	(196)	(196)	-	(196)
Exercise option		1,442,808	2	-	-	-	3,943	-	-	3,945	-	3,945
Net loss		-	-	-	-	-	-	-	(409,526)	(409,526)	(2,652)	(412,178)
Share-based compensation	15	-	-	-	-	-	22,239	-	-	22,239	-	22,239
Foreign currency translation adjustment, net of nil income taxes		-	-	-	-	-	-	21,286	-	21,286	-	21,286
Balance as of December 31, 2023		**310,491,236**	**195**	**25,649,839**	**17**	**(120,899)**	**11,210,542**	**(57,327)**	**(9,831,562)**	**1,200,966**	**(5,928)**	**1,195,038**
Balance as of December 31, 2023—US$		**-**	**27**	**-**	**2**	**(17,028)**	**1,578,972**	**(8,074)**	**(1,384,747)**	**169,152**	**(835)**	**168,317**

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

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CLOOPEN GROUP HOLDING LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Year ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US$
Operating activities:				
Net loss	**(904,452)**	**(975,899)**	**(412,374)**	**(58,083)**
Adjustments to reconcile net loss to net cash used in operating activities				
Allowance for doubtful accounts	17,115	-	-	-
Allowance for credit loss	-	25,589	16,456	2,318
Share-based compensation	277,617	107,462	22,238	3,132
Depreciation of Property and equipment and amortization of Intangible assets	10,504	13,893	8,775	1,236
Amortization of right-of-use asset and interest on lease liabilities	-	8,823	4,516	636
Deferred tax expense (benefit)	5,122	(8,806)	(429)	(60)
Share of losses of equity method investments	596	1,969	1,470	207
Change in fair value of long-term investments	(47,247)	-	-	-
Gain from disposal of long-term investments	-	(5,138)	-	-
Impairment loss of long-term investments	6,603	7,400	8,011	1,128
Losses (gains) from disposal of property and equipment	493	62	66	9
Investment income	-	(340)	(563)	(79)
Impairment loss of intangible assets	136	28,011	-	-
Losses from disposal of intangible assets	24	-	-	-
Impairment loss of goodwill	149,092	107,407	-	-
Losses (gains) from disposal of subsidiaries, net	(2,899)	2,739	-	-
Change in fair value of warrant liabilities	29,011	-	-	-
Provision for U.S Class Action	-	83,575	-	-
Unrealized foreign exchange (gains) losses	6,696	9,666	(5,699)	(803)
Changes in operating assets and liabilities, net of effect of disposal of subsidiaries:				
Accounts receivable - third parties, net	34,342	1,234	(28,125)	(3,961)
Accounts receivable - related parties, net	13,420	216	(724)	(102)
Contract assets	(6,647)	(31,422)	26,675	3,757
Amounts due from related parties	3,942	(105)	(3,245)	(457)
Prepayments and other current assets	(15,497)	27,591	(1,326)	(187)
Operating lease right-of-use assets	-	(25,165)	(2,166)	(305)
Other non-current assets	1,667	(1,452)	1,052	148
Accounts payable	28,206	(24,589)	(34,395)	(4,844)
Contract liabilities	94,962	61,863	3,427	483
Amounts due to related parties	(3,472)	(14)	(575)	(81)
Operating lease liabilities	-	16,610	(4,146)	(584)
Other non-current liabilities	3,334	(2,424)	3,063	431
Accrued expenses and other current liabilities	59,253	3,974	(118,184)	(16,646)
Net cash used in operating activities	**(238,079)**	**(567,270)**	**(516,202)**	**(72,707)**
Investing activities:				
Cash paid for business combination	(203,164)	(116,396)	(8,915)	(1,256)
Cash paid for purchase of property and equipment	(7,390)	(5,825)	(807)	(114)
Cash paid for purchase of intangible assets	(1,273)	(980)	(952)	(134)
Cash paid for purchase of equity method investments	(21,900)	-	-	-
Cash paid for purchase of other equity investments	(20,000)	-	(5,000)	(704)
Cash received from sale of short-term investments	-	64,833	24,663	3,474
Cash paid for purchase of short-term investments	(127,514)	(349,350)	(28,187)	(3,970)
Cash received from disposal of property and equipment	30	-	15	2
Cash received from consolidation of subsidiaries	10,890	-	-	-
Cash received from disposal of a subsidiary	2,500	-	-	-
Cash Received from disposal of long-term investments	1,500	64,987	-	-
Cash from disposal of subsidiaries	(1,024)	-	-	-
Collection of interest free loans provided to related parties	2,300	-	-	-
Cash paid for term deposits	(3,375,933)	(4,345,910)	(938,458)	(132,179)
Cash received from maturity of term deposits	1,926,418	5,040,269	1,308,935	184,360
Net cash provided by/(used in) investing activities	**(1,814,560)**	**351,628**	**351,294**	**49,479**
Financing activities:				
Proceeds from IPO	2,195,827	-	-	-
Receive the Subscription receivables for Series C and E Redeemable Convertible Preferred Shares	336,179	-	-	-
Exercises of warrant F	219,667	-	-	-
Payment of issuance costs	(5,549)	-	-	-
Exercises share options	26,892	-	-	-
Repayment of long-term borrowings	-	(8,004)	-	-
Payables to a VIE shareholder	(230,087)	-	-	-
Payment of initial public offering (“IPO”) costs	(8,146)	-	-	-
Repurchase of treasury stock	(68,894)	(39,261)	-	-
Repayment for short-term bank borrowings	(21,140)	(5,500)	-	-
Net cash provided by/(used in) financing activities	**2,444,749**	**(52,765)**	**-**	**-**
Effect of foreign currency exchange rate changes on cash	(36,235)	138,795	20,092	2,831
Net increase/(decrease) in cash and restricted cash	**355,875**	**(129,612)**	**(144,816)**	**(20,397)**
Cash and restricted cash at the beginning of the year	301,002	656,877	527,265	74,264
Cash and restricted cash at the end of the year	**656,877**	**527,265**	**382,449**	**53,867**
Supplemental information				
Interest paid	291	479	-	-
Income tax paid	299	368	93	13
Non-cash investing and financing activities:				
Issuance of ordinary shares as the consideration for purchase of non-controlling interests	20,621	-	-	-

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

1. DESCRIPTION OF BUSINESS, ORGANIZATION AND BASIS OF PRESENTATION

Organization and principal activities

Cloopen Group Holding Limited ("the Company"), through its wholly-owned subsidiaries, consolidated variable interest entity ("VIE") and VIE's subsidiaries (collectively referred to as "the Group"), is principally engaged in providing integrated communication services based on cloud computing technology. The Group's principal operations and geographic markets are mainly in the People's Republic of China ("PRC").

The accompanying consolidated financial statements include the financial statements of the Company, its subsidiaries, consolidated VIE and VIE's subsidiaries.

The VIE arrangements

The Group operates its cloud communication business in the PRC through Beijing Ronglian Yitong Information Technology Co., Ltd. ("Ronglian Yitong", or the "VIE"), a limited liability company established under the laws of the PRC on March 31, 2009. Ronglian Yitong and its subsidiaries holds the necessary PRC operating licenses for the online businesses. The equity interests of Ronglian Yitong are legally held by Mr. Changxun Sun, the founder, chairman of board of directors and chief executive officer, Mr. Jianhong Zhou, the director of the Company, Lhasa Heye Investment Management Co., Ltd., and Beijing Hongshan Shengde Equity Investment Center (Limited Partnership) who act as nominee equity holders of the VIE on behalf of Anxun Guantong (Beijing) Technology Co., Ltd. ("Anxun Guantong" or "WFOE"), the Company's wholly-owned subsidiary. A series of contractual agreements, including Powers of Attorney, Exclusive Business Cooperation Agreement, Equity Pledge Agreement, Exclusive Option Agreement and Spousal Consent Letter (collectively, the "VIE Agreements"), were entered among the Company, Anxun Guantong, Ronglian Yitong and its nominee equity holders.

Pursuant to the VIE Agreements, the Company is able to exercise effective control over, bears the risks of, enjoys substantially all of the economic benefits of the VIE, and has an exclusive option to purchase all or part of the equity interests in the VIE when and to the extent permitted by the PRC law at the lowest price possible. The Company's management concluded that Ronglian Yitong is a VIE and the Company is its primary beneficiary. As such, the consolidated financial statements of the VIE are included in the consolidated financial statements of the Company.

The principal terms of the VIE Agreements are further described below.

1) Powers of Attorney

The Company and each of the equity holders of Ronglian Yitong entered into Powers of Attorney. Pursuant to the Powers of Attorney, the equity holders of Ronglian Yitong irrevocably appointed Anxun Guantong as their attorney-in-fact to exercise all equity holder rights, including, but not limited to, proposing, convening and attending in the equity holders' meeting, appointing or removing directors, executive officers and senior management, disposing of all or part of the equity holder's interests in Ronglian Yitong, casting the equity holders' votes on matters requiring equity holders' approval and doing all other acts in the capacity of the equity holders as permitted by Ronglian Yitong's Memorandum and Articles of Association. In addition, the Company has a right to assign its rights and benefits under the Powers of Attorney to any other parties without an advance notice to the equity holders of Ronglian Yitong. The Powers of Attorney shall continue in force and be irrevocable as long as the equity holders of Ronglian Yitong remain as the equity holders of Ronglian Yitong.

2) Exclusive Business Cooperation Agreement

Anxun Guantong and Ronglian Yitong entered into an Exclusive Business Cooperation Agreement, whereby Anxun Guantong is appointed as the exclusive service provider for the provision of business support, technology and consulting services to Ronglian Yitong. Unless a written consent is given by Anxun Guantong, Ronglian Yitong is not allowed to engage a third party to provide such services, while Anxun Guantong is able to designate another party to render such services to Ronglian Yitong. Ronglian Yitong shall pay Anxun Guantong on a monthly basis a service fee, which shall be equal to 100% of the monthly net profits of Ronglian Yitong, and Anxun Guantong has the sole discretion to adjust the basis of calculation of the service fee amount according to service provided to Ronglian Yitong. Anxun Guantong owns the exclusive intellectual property rights, whether created by Anxun Guantong or Ronglian Yitong, as a result of the performance of the Exclusive Business Cooperation Agreement unless terminated in writing by Anxun Guantong. The Exclusive Business Cooperation Agreement may be extended if confirmed in writing by Anxun Guantong prior to the expiration thereof. The extended term shall be determined by Anxun Guantong, and Ronglian Yitong shall accept such extended term unconditionally.

3) Equity Pledge Agreement

An Equity Pledge Agreement was entered into by and among Anxun Guantong, Ronglian Yitong and equity holders of Ronglian Yitong. To guarantee payment from Ronglian Yitong, including but not limited to the service fee pursuant to the Exclusive Business Cooperation Agreement, and the performance of Ronglian Yitong and the nominee equity holders' obligations under the contractual arrangements including the Exclusive Business Cooperation Agreement, Exclusive Option Agreement and Powers of Attorney, the equity holders of Ronglian Yitong pledged their respective equity in Ronglian Yitong to Anxun Guantong under the Equity Pledge Agreement as collateral. In the event Ronglian Yitong fails to pay Anxun Guantong its service fee, Anxun Guantong will have the right to sell the pledged equity and apply the proceeds received to pay any outstanding service fees due by Ronglian Yitong to Anxun Guantong. The equity holders of Ronglian Yitong agree that, during the term of the Equity Pledge Agreement, they will not dispose of the pledged equity or create or allow any encumbrance on the pledged equity, and they also agree that Anxun Guantong's rights relating to the equity pledges shall not be prejudiced by any legal actions of the equity holders of Ronglian Yitong , their successors or their designees. Except that the pledge of approximately 1.55% of the equity interests of VIE is subject to the registration in compliance with the PRC Property Rights Law, the equity pledge was registered with the relevant local administration for industry and commerce in October 2019 and may only be terminated upon the fulfillment of all contractual obligations under the Exclusive Business Cooperation Agreement, Exclusive Option Agreement and Powers of Attorney. During the term of the Equity Pledge Agreement, Anxun Guantong is entitled to receive dividends attributable to the pledged Ronglian Yitong equity.

4) Exclusive Option Agreement

Each of the equity holders of Ronglian Yitong entered into an Exclusive Option Agreement with Anxun Guantong, and Ronglian Yitong, pursuant to which the equity holders of Ronglian Yitong granted Anxun Guantong or other person upon the designation by Anxun Guantong, an irrevocable and exclusive option to purchase, at its discretion and to the extent permitted under the PRC law, all or part of the equity holders' interests in Ronglian Yitong at the lowest price that the PRC law permits at the time unless a valuation of the equity is required by the PRC law. The equity holders of Ronglian Yitong commit that without the prior written consent of Anxun Guantong, the equity holders of Ronglian Yitong will not, among other things, (1) change or amend the Memorandum and Articles of Association , increase or decrease Ronglian Yitong's registered capital, change its structure of registered capital in other manners; (2) sell, transfer, mortgage or dispose of in any manner any assets of Ronglian Yitong or legal or beneficial interest in the business or revenue of Ronglian Yitong, or allow the encumbrance thereon of any security interest; (3) incur, inherit, guarantee or suffer the existence of any debt, except for (i) debts incurred in the ordinary course of business other than through loans and (ii) debts disclosed to Anxun Guantong for which Anxun Guantong's written consent has been obtained; (4) providing any person with any loan or credit or guarantee in any form; (5) cause or permit Ronglian Yitong to merge, consolidate with, acquire or invest in any person, and/or sell permit Ronglian Yitong to sell assets with a value of over RMB500,000; (6)in any manner distribute dividends to its shareholders; (7) create any pledge or encumbrance on their equity interests in Ronglian Yitong; (8) transfer or otherwise dispose of their equity interests in Ronglian Yitong and its equity holders shall appoint those individuals recommended by Anxun Guantong as directors of Ronglian Yitong. Ronglian Yitong shall provide operating and financial information to the Company at the request of Anxun Guantong and ensure the continuance of the business. The Exclusive Option Agreement will remain effective until all equity interests in Ronglian Yitong held by its equity holders are transferred or assigned to the Company or its designee. Ronglian Yitong and its equity holders shall not have any right to terminate the Exclusive Option Agreement.

5) Spousal Consent Letter

Pursuant to the Spousal Consent Letters executed by the spouse of the principal individual shareholder of the VIE, the signing spouse confirmed that she does not enjoy any right or interest in connection with the equity interests of the VIE. The spouse also irrevocably agreed that she would not claim in the future any right or interest in connection with the equity interests in the VIE held by her spouse.

Risks in relation to the VIE structure

In the opinion of the Company's management, the VIE Agreements have resulted in the WFOE having the power to direct activities that most significantly impact the VIE, including appointing key management, setting up operating policies, exerting financial controls and transferring profit or assets out of the VIE at its discretion. The Company considers that it has the right to receive all the benefits and assets of the VIE. As the VIE was established as a limited liability company under the PRC law, its creditors do not have recourse to the general credit of the Company for the liabilities of the VIE, and the Company does not have the obligation to assume the liabilities of the VIE.

The Company has determined that the VIE Agreements are in compliance with the PRC laws and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce the VIE Agreements; and if the equity holders of the VIE were to reduce their interest in the Company, their interests may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual terms.

The Company's ability to control the VIE also depends on the rights provided to the Company under the Powers of Attorney to vote on all matters requiring equity holders' approval in the respective VIE. As noted above, the Company believes these Powers of Attorney are legally enforceable but yet they may not be as effective as direct equity ownership. In addition, if the corporate structure of the Group or the contractual arrangements among the Company, Anxun Guantong, the VIE and its respective equity holders were found to be in violation of any existing PRC laws and regulations, the relevant PRC regulatory authorities could:

- revoke the business license and/or operating licenses of such entities;
- discontinue or place restrictions or onerous conditions on the Group's operations;
- impose fines, confiscating the income from the VIE, or imposing other requirements with which the Group may not be able to comply;
- require the Group to restructure its ownership structure or operations, including terminating the contractual arrangements with the VIE and deregistering the equity pledges of the VIE, which in turn would affect the Company's ability to consolidate, derive economic interests from, or exert effective control over the VIE; or
- restrict or prohibit our use of the proceeds of this offering to finance our business and operations in the PRC.

The imposition of any of the above restrictions or actions may result in a material and adverse effect on the Group's ability to conduct its business. In addition, if the imposition of any of these restrictions causes the Company to lose the right to direct the activities of the VIE or the right to receive its economic benefits, the Company would no longer be able to consolidate the VIE. The Company's management believes that the likelihood to lose the Company's current
ownership structure or the contractual arrangements with the VIE is remote based on the current facts and circumstances.

There is no VIE in which the Company has a variable interest but is not the primary beneficiary. Currently there is no contractual arrangement that could require the Company to provide additional financial support to the VIE.

The following consolidated assets and liabilities information of the Group's VIE as of December 31, 2022 and 2023, and consolidated revenues, net loss and cash flow information for the years then ended, have been included in the accompanying consolidated financial statements:

	December 31,	
	2022	2023
	RMB	RMB
Cash	82,750	106,603
Restricted cash	525	4,502
Accounts receivable - third parties, net	125,644	140,673
Accounts receivable - related parties, net*	30,113	50,144
Contract assets	50,838	26,107
Amounts due from related parties	211,453	117,764
Prepayments and other current assets	61,184	63,607
Total current assets	**562,507**	**509,400**
Long-term investments	58,530	54,049
Property and equipment, net	13,613	9,943
Operating lease right-of-use assets	14,039	11,094
Intangible assets, net	15,533	13,639
Goodwill	54,427	54,427
Other non-current assets	3,958	2,997
Total assets	**722,607**	**655,549**
Accounts payable	113,687	81,211
Contract liabilities	359,154	363,180
Amounts due to related parties**	1,977,866	2,217,392
Payable for business acquisition	8,915	-
Operating lease liabilities-current	8,871	7,775
Accrued expenses and other current liabilities	89,565	58,859
Total current liabilities	**2,558,058**	**2,728,417**
Operating lease liabilities-non current	4,977	1,942
Deferred income tax liabilities	1,285	857
Total liabilities	**2,564,320**	**2,731,216**

* Accounts receivable-related parties, net includes accounts receivable, net due from the Company and its subsidiaries, which are eliminated upon consolidation, and accounts receivable, net due from one of the Company's shareholders and other related parties of RMB99 and RMB704 as of December 31, 2022, and 2023.

** Amounts due to related parties include amounts due to the Company and its subsidiaries, which are eliminated upon consolidation, and amounts due to one of the Company's shareholders and other related parties of RMB780 and RMB205 as of December 31, 2022 and 2023.

	Year ended December 31,		
	2021	2022	2023
	RMB	*RMB*	*RMB*
Revenues	639,139	636,320	553,910
Net loss	(699,152)	(544,042)	(232,856)
Net cash used in operating activities	(174,049)	(574,227)	(184,395)
Net cash provided by/ (used in) investing activities	(275,719)	26,940	(6,700)
Net cash provided by financing activities	579,690	437,759	218,926
Net increase / (decrease) in cash and restricted cash	129,922	(109,528)	27,831
Cash and restricted cash at the beginning of the year	62,881	192,803	83,275
Cash and restricted cash at the end of the year	192,803	83,275	111,106

In accordance with VIE Agreements, WFOE has the power to direct the activities of the VIE. Therefore, the Company considers that there are no assets in the VIE that can be used only to settle obligations of the VIE, except for restricted cash of RMB525 and RMB4,502 as of December 31, 2022 and 2023, respectively. The creditors of VIEs do not have recourse to the general credit of WFOE.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The accompanying consolidated financial statements contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. The realization of assets and the satisfaction of liabilities in the normal course of business are dependent on, among other things, the Group's ability to operate profitably, to generate cash flows from operations, and its ability to attract investors and to borrow funds on reasonable economic terms.

(b) Principles of Consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, the VIE for which the WFOE is the primary beneficiary, and the VIE's subsidiaries.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power or has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at the meeting of directors. A VIE is an entity in which the Company, or its subsidiary, through contractual arrangements, exercises effective control over the activities that most impact the economic performance, bears the risks of, and enjoys the rewards normally associated with ownership of the entity, and therefore the Company or its subsidiary is the primary beneficiary of the entity.

All intercompany transactions and balances among the Company, its subsidiaries, the VIE, and the VIE's subsidiaries have been eliminated upon consolidation.

The following table lists major subsidiaries and the consolidated VIEs of the Company as of December 31, 2023:

	Palace of Incorporation	Percentage of ownership
Beijing Ronglian Yitong Information Technology Co., Ltd.	PRC	VIE
Beijing Ronglian Qimo Technology Co., Ltd.	PRC	100%
Beijing Ronglian Guanghui Technology Co., Ltd.	PRC	100%
Beijing Baiyi High-tech Information Technology Co., Ltd.	PRC	100%
Beijing Ronglian Huitong Technology Information Co., Ltd.	PRC	100%
Shenzhen Zhongtian Wangjing Technology Co., Ltd.	PRC	100%
Cloopen Japan Co., Ltd.	Japan	100%
Anxun Guantong (Beijing) Technology Co., Ltd.	PRC	100%
Cloopen limited	HK	100%

(c) Use of Estimates

The preparation of the consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures of contingent assets and liabilities at the balance sheet date, and the reported revenues and expenses during the reported period in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates, and as such, differences may be material to the consolidated financial statements. Significant accounting estimates reflected in the Group's financial statements include, but not limited to, revenue recognition, fair value of assets and liabilities acquired in business combination, the allowance for credit loss of accounts receivable and contract assets, depreciable lives and recoverability of property and equipment and intangible assets, assessment of impairment of long-lived assets, intangible assets and goodwill, the realization of deferred income tax assets, the fair value of share based compensation awards, redeemable convertible preferred shares, short-term investments, equity method investments, other equity investments, warrant liabilities, incremental borrowing rates for operating lease liabilities, the fair value of the ordinary shares to determine the existence of beneficial conversion feature of the redeemable convertible preferred shares, and management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances.

In March 2020, the World Health Organization declared the outbreak of a disease caused by a novel strain of the coronavirus ("COVID-19") to be a pandemic. After the initial outbreak of the COVID-19, some instances of COVID-19 infections have emerged from time to time. The COVID-19 pandemic has created and may continue to create significant uncertainty in the macroeconomic environment which, in addition to other unforeseen effects of this pandemic, may adversely impact the Group's results of operations. The extent to which COVID-19 would impacts the results of operations is contingent on the future developments of the outbreak, including constant updates concerning the global severity of and actions needed to contain the outbreak, which are highly uncertain and unpredictable. Due to the uncertainty and the economic implications on global economics conditions from the COVID-19 pandemic, certain estimates and assumptions may change in the near term.

(d) Convenience Translation

Translations of the consolidated financial statements from RMB into US$ as of and for the year ended December 31, 2023 are solely for the convenience of the readers and were calculated at the rate of US$1.00 = RMB7.0999, representing the noon buying rate in The City of New York for cable transfers of RMB as set forth in the H.10 weekly statistical release of Federal Reserve Board on December 31, 2023. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US$ at that rate on December 31, 2023, or at any other rate.

(e) Commitments and Contingencies

In the normal course of business, the Group is subject to loss contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters, including, among others, government investigations, shareholder lawsuits, and non-income tax matters. An accrual for a loss contingency is recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed.

(f) Business combinations

Business combinations are recorded using the acquisition method of accounting in accordance with ASC topic 805 ("ASC 805"): Business Combinations. The acquisition method of accounting requires an acquirer to determine the identifiable acquired assets, the liabilities assumed and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date. The consideration transferred for an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities assumed, and equity instruments issued as well as the contingent considerations as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total cost of the acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings.

(g) Cash

Cash consists of cash on hand and cash at bank. Cash at bank are deposited in financial institutions at below locations:

	December 31,	
	2022	2023
	RMB	RMB
Cash on hand	**23**	**-**
Cash balances include deposits in: Financial institutions in the mainland of the PRC		
—Denominated in Renminbi ("RMB")	209,053	237,178
—Denominated in US$	142,257	58,722
Total cash balances held at mainland PRC financial institutions	**351,310**	**295,900**
Financial institutions in Hong Kong Special Administrative Region ("HKSAR")		
—Denominated in US$	105,357	30,882
Total cash balances held at HKSAR financial institutions	**105,357**	**30,882**
Financial institutions in Japan		
—Denominated in Japanese Yen	53,464	28,544
— Denominated in United Stated Dollars ("USD")	-	14,720
Total cash balances held at Japan financial institutions	**53,464**	**43,264**
Financial institutions in Malaysia		
—Denominated in Malaysian Ringgit	328	413
—Denominated in US$	3,099	286
Total cash balances held at Malaysia financial institutions	**3,427**	**699**
Financial institutions in Singapore		
—Denominated in SGD	7,513	6,153
— Denominated in United Stated Dollars ("USD")	301	46
Total cash balances held at Singapore financial institutions	**7,814**	**6,199**
Financial institutions in the United States		
—Denominated in USD	5,047	-
Total cash balances held at the United States financial institutions	**5,047**	**-**
Financial institutions in Korean		
— Denominated in Korean Won ("KRW")	298	280
— Denominated in United Stated Dollars ("USD")	-	227
Total cash balances held at Korean financial institutions	**298**	**507**
Financial institutions in Mexico		
— Denominated in United Stated Dollars ("USD")	-	**496**
Total cash balances held at Korean financial institutions	**-**	**496**
Total cash balances held at financial institutions	**526,717**	**377,947**
Total cash balances	**526,740**	**377,947**

The bank deposits, including term deposits, with financial institutions in the mainland of the PRC and Japan are insured by the government authorities up to RMB500 and JPY10,000, respectively. The bank deposits including term deposits are insured by the government authorities with amounts up to RMB20,337 and RMB22,854 as of December 31, 2022, and 2023, respectively. The Company has not experienced any losses in uninsured bank deposits and does not believe that it is exposed to any significant risks on cash held in bank accounts. To limit exposure to credit risk, the Company primarily places bank deposits with large financial institutions in the PRC and Japan with acceptable credit rating.

(h) Restricted cash

Cash balances that have restrictions as to withdrawal or usage are considered restricted cash. Restricted cash that will be released to cash within the next 12 months is classified as current asset, while the balance restricted for use longer than one year is classified as non-current asset on the consolidated balance sheets.

(i) Term deposits

Term deposits represent deposits at banks with original maturities more than three months but less than one year. The Group's term deposits were denominated in US$ and were deposited at financial institutions in the mainland of the PRC with the interest rate of 4.2%, and 5.13% per annum as of December 31, 2022 and 2023, respectively.

Term deposits maintained at financial institutions consist of the following:

	2022 RMB	2023 RMB
US$ denominated bank deposits with financial institutions in the PRC	915,845	545,368

To limit exposure to credit risk relating to bank deposits, the Company primarily places term deposits only with large financial institutions in the PRC with acceptable credit rating.

(j) Short-term Investments

The Group's short-term investments represent the Group's investments in financial products managed by financial institutions in the PRC and Cayman which are redeemable at the option of the Group on any working day. Short-term investments are classified as available for sale debt securities and reported at fair value, with unrealized holding gains or losses, net of any related income tax effect, excluded from earnings and recorded as accumulated other comprehensive loss until realized. Realized gains or losses from the sale of short-term investments are determined on a specific identification basis and are recorded as investment income when earned.

(k) Accounts Receivable, net

Prior to January 1, 2023, the Company assesses recoverability of accounts receivable in accordance with ASC 310. Subsequent to January 1, 2023, accounts receivable is recorded at the realizable value amount, net of allowances for credit loss in accordance with ASC 326 and records the allowance for credit losses as an offset to accounts receivable. The estimated credit losses are classified as "General and administrative" in the consolidated statements of comprehensive loss. The Company assesses collectability by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when the Company identifies specific customers with known disputes or collectability issues. In determining the amount of the allowance for credit losses using probability-of-default method, the Company considers size, the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses, and other factors that may affect the Company's ability to collect from customers.

(l) Long-term investments

Equity method investments

The Group applies the equity method to account for an equity interest in an investee over which the Group has significant influence but does not own a majority equity interest or otherwise control.

Under the equity method of accounting, the Group's share of the investee's results of operations is reported as share of losses of equity method investments in the consolidated statements of comprehensive loss.

The Group recognizes an impairment loss when there is a decline in value below the carrying value of the equity method investment that is considered to be other than temporary. The process of assessing and determining whether impairment on an investment is other than temporary requires a significant amount of judgment. To determine whether an impairment is other than temporary, management considers whether it has the ability and intent to hold the investment until recovery and whether evidence indicating the carrying value of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the decline in value, any change in value subsequent to the period end, and forecasted performance of the investee.

Other equity investments

The Group elects the measurement alternative in ASC 321 and measures investments in "equity investment" at cost, adjusted for changes resulting from impairments and observable price changes in orderly transactions for identical or similar securities of the same issuer. The Group considers information in periodic financial statements and other documentation provided by the investees to determine whether observable price changes have occurred.

The Group makes a qualitative assessment considering impairment indicators to evaluate whether the equity investments without a readily determinable fair value is impaired at each reporting period, and written down to its fair value if a qualitative assessment indicates that the investment is impaired and the fair value of the investment is less than its carrying value. If an equity investment without a readily determinable fair value is impaired, the Group includes an impairment loss in net income equal to the difference between the fair value of the investment and its carrying amount.

(m) Property and Equipment, net

Property and equipment are stated at cost less accumulated depreciation and any recorded impairment.

The estimated useful lives are as follows:

Computer and office equipment	3-5 years
Furniture and fixtures	3-5 years
Motor vehicles	4-5 years
Buildings	20 years
Leasehold improvements	The shorter of lease terms and estimated useful lives

Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets.

When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value and the proceeds received thereon. Ordinary maintenance and repairs are charged to expense as incurred.

(n) Intangible Assets, net

Intangible assets purchased from third parties are initially recorded at cost and amortized on a straight-line basis over the estimated economic useful lives. The Group performs valuation of the intangible assets arising from business combination to determine the fair value to be assigned to each asset acquired. The acquired intangible assets are recognized and measured at fair value and are expensed or amortized using the straight-line approach over the estimated economic useful lives of the assets.

The estimated useful lives of intangible assets are as follows:

Software copyrights	8 years
Telecommunication business operation licenses	3-5 years
Technology	6-10 years
Non-compete arrangements	4-7 year
Customer relationship	3-10 years
Trademark	10 years
Order backlogs	1-4 years
Software	3-8 years

(o) Goodwill

Goodwill represents the excess of the purchase consideration over the acquisition date amounts of the identifiable tangible and intangible assets acquired and liabilities assumed from the acquired entity as a result of the Company's acquisitions of interests in its subsidiaries. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. In accordance with ASC 350, the Company may first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. In the qualitative assessment, the Company considers factors such as macroeconomic conditions, industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations, business plans and strategies of the reporting unit, including consideration of the impact of the COVID-19 pandemic. Based on the qualitative assessment, if it is more likely than not that the fair value of a reporting unit is less than the carrying amount, the quantitative impairment test is performed. The Company may also bypass the qualitative assessment and proceed directly to perform the quantitative impairment test.

The Company performs the quantitative impairment test by comparing the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount of a reporting unit exceeds its fair value, the amount by which the carrying amount exceeds the reporting unit's fair value is recognized as impairment. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, allocation of assets, liabilities and goodwill to reporting units, and determination of the fair value of each reporting unit.

(p) Impairment of Long-lived Assets

Long-lived assets such as property and equipment and intangible assets with finite lives are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be fully recoverable or that the useful life is shorter than the Group had originally estimated. When these events occur, the Group evaluates the impairment for the long-lived assets by comparing the carrying value of the assets to an estimate of future undiscounted cash flows expected to be generated from the use of the assets and their eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying value of the assets, the Group recognizes an impairment loss based on the excess of the carrying value of the assets over the fair value of the assets.

(q) Value Added Taxes

The Company's PRC subsidiaries are subject to value added tax ("VAT"). Revenue from providing cloud communication services and communication devices sales are generally subject to VAT at the rate of 6% and 13% since April 1, 2019, or 6% to 16% between May 1, 2018 and April 1, 2019, and subsequently paid to PRC tax authorities after netting input VAT on purchases. The excess of output VAT over input VAT is reflected in accrued expenses and other current liabilities, and the excess of input VAT over output VAT is reflected in prepayments and other current assets in the consolidated balance sheets.

(r) Warrant Liabilities

The freestanding warrants to purchase redeemable convertible preferred shares at a future date were determined to be freestanding instruments that were accounted for as liabilities. At initial recognition, the Group recorded the warrant liabilities on the consolidated balance sheets at their estimated fair value and changes in estimated fair values were included in the change in fair value of warrant liabilities on the consolidated statement of comprehensive loss or allocated to the proceeds from the issuance of the debt instrument to the warrants based on the warrant liabilities fair value. The warrant liabilities are subject to remeasurement at each reporting period and the Group adjusted the carrying value of the warrant liabilities to fair value at the end of each reporting period utilizing the binominal option pricing model, with changes in estimated fair value included in the change in fair value of warrant liabilities on the consolidated statement of comprehensive loss.

(s) Fair Value Measurements

Fair value represents the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

Accounting guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Accounting guidance establishes a three-level fair value hierarchy and requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs are:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2—Include other inputs that are directly or indirectly observable in the marketplace.
Level 3—Unobservable inputs which are supported by little or no market activity.

Accounting guidance also describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

Financial assets and liabilities of the Group primarily consist of cash, restricted cash, term deposits, short-term investments, accounts receivable - third parties, net, accounts receivable - related parties, net, other receivables included in prepayments and other current assets, long-term investment, amounts due from related parties, accounts payable, contract liabilities, other payables included in accrued expenses and other current liabilities. The Group measures short-term investments at fair value on a recurring basis. Short-term investments include financial products issued by financial institutions, which are valued based on prices per units quoted by issuers and are categorized in Level 2 of the fair value hierarchy.

The Group's non-financial assets, such as intangible assets and property and equipment, would be measured at fair value only if they were determined to be impaired.

(t) Revenue recognition

The Group accounts for its revenue contracts in accordance with ASC Topic 606, Revenue from Contracts with Customers (ASC 606). According to ASC 606, revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services. The Group determines revenue recognition through the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

The Group generate substantially all of the Group's revenues from the following services and products:

(1) Communication Platform-as-a-Service ("CPaaS") which allows customers to send text messages and place voice calls using the Company's cloud-based platform;

(2) Cloud-based Contact Centers ("Cloud-based CC") with which customers can operate their virtual contact centers and access related value-added services using the Company's cloud-based platform; and

(3) Cloud-based Unified Communications and Collaborations ("Cloud-based UC&C") where the Company creates customized communications software on customers' private clouds to meet their specific needs and deliver the software licenses to customers.

The Company recognizes revenue upon the transfer of control of promised products or services provided to the Company's customers, in the amount of consideration the Company expect to receive for those products or services (excluding sales taxes collected on behalf of government authorities). The Company's revenue contracts generally do not include a right of return in relation to the delivered products or services.

The timing of revenue recognition may differ from the timing of invoicing to the Company's customers. The Company record a contract asset when revenue is recognized prior to invoicing, and a contract liability when payment is received from a customer in advance of revenue recognition. The Company generally issue invoices based on contract terms, which may be when the services are completed, upon customer acceptance of the Company's deliverables or at preset milestones. Payments are due with standard payment terms which are generally not more than 90 days from invoice issuance.

We recognize the incremental costs of obtaining contracts as selling, general and administrative expenses when incurred if the amortization period of the asset that otherwise would have been recognized is one year or less. Assets recognized for costs to obtain a contract were not material as of December 31, 2023. Costs to fulfill a contract are recorded as assets if they relate directly to a contract or a specific anticipated contract, the costs generate or enhance resources that will be used in satisfying performance obligations in the future and the costs are expected to be recovered. Costs to fulfill a contract recognized as assets primarily consist of labor and materials costs and generally relate to engineering and set-up costs incurred prior to the satisfaction of performance obligations. Assets recognized for costs to fulfill a contract are included in the "Prepaid expenses and other current assets" line of the consolidated balance sheets and were not material as of December 31, 2023. Such assets are recognized as expenses as we transfer the related goods or services to the customer. All other costs to fulfill a contract are expensed as incurred.

As of December 31, 2023, there were no material amounts of remaining performance obligations that are required to be disclosed. As permitted by ASC 606, we have elected not to disclose information about remaining performance obligations where i) the performance obligation is part of a contract that has an original expected duration of one year or less or ii) when we recognize revenue from the satisfaction of the performance obligation in accordance with the right-to-invoice practical expedient.

CPaaS revenues

The Company accounts for revenue from customers' usage of text message and voice call services on the Company's CPaaS platform as two separate performance obligations. The Company's service fees are determined by applying the contractual unit price to the monthly usage volume of text messages sent or minutes of voice calls placed and a contractual monthly fixed charge per subscriber multiplied by the number of subscribers recorded by the Company's CPaaS platform where relevant. The cloud-based services to send text messages and place voice calls are sold separately to customers with observable standalone selling prices.

The Company also provides services as an agent in provision of CPaaS platforms to customers. The Company identified one performance obligation and recognized the revenues, on a monthly basis, at the amount equal to the difference between the amount charged to the customers and the amount charged by telecommunication operators. The gross amount of revenue from services as an agent was RMB166 million, RMB89 million and RMB69 million for the years ended December 31, 2021, 2022 and 2023, respectively. The net amount of revenue from services as an agent was RMB41 million, RMB14 million and RMB16 million for the years ended December 31, 2021, 2022 and 2023, respectively.

The service contracts are generally with a length between 3 and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide the customer with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant the Company or customers a unilateral right to terminate the contracts before completion.

Cloud-based CC revenues

Customers subscribe to the Company's basic Cloud-based CC services at a fixed monthly fee and pay for other value-added services on a usage basis. The Company recognizes the monthly service fees ratably over the contract period during which the Company is obligated to grant customers continuous access to those basic Cloud-based CC services. Revenue for other value-added services on top of the basic subscription is determined by applying the contractual unit price to the monthly usage volume and recognized when the related services are provided to customers. The basic subscription is sold to customers at the same price with or without the value-added services, so the transaction price is allocated on the basis of observable stand-alone selling prices.

The service contracts are generally with a length between 3 and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide customers with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant the Company or customers a unilateral right to terminate the contracts before completion.

The Company also offers customized Cloud-based CC solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. The Company has identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized CC license and other highly interdependent and interrelated services, and has accounted for the promise as one combined performance obligation. The Company applies an iterative process to design, test and implement the software in customers' IT environment and recognizes revenue for this performance obligation over a period of time during which the control of the customized Cloud-based CC solution is progressively transferred to the customers. The Company uses an input method to estimate progress, based on the proportion of the labour hours incurred relative to the estimated total labour hours. The Company also offers standard or non-complex cloud-based CC solutions to customers, and has identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. The Company's Cloud-based CC contracts generally include a standard assurance-type warranty.

Cloud-based UC&C revenues

The Company offers customized Cloud-based UC&C solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. The Company has identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized UC&C license and other highly interdependent and interrelated services, and has accounted for the promise as one combined performance obligation. The Company applies an iterative process to design, test and implement the software in customers' IT environment and recognizes revenue for this performance obligation over a period of time during which the control of the customized UC&C solution is progressively transferred to the customers. The Company uses an input method to estimate progress, based on the proportion of the labour hours incurred relative to the estimated total labour hours. The Company also offers standard or non-complex cloud-based UC&C solutions to customers, and has identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. Our cloud-based UC&C contracts generally include a standard assurance-type warranty.

(u) Cost of Revenues

Cost of revenues mainly consists of payroll and related costs for employees, communication service expense associated with the use of facilities and equipment by these employees, such as rental and depreciation expenses, communication service expense charges to telecom operators or its distributors and cloud service fees to cloud service providers.

(v) Research and Development Expenses

Research and development expenses mainly consist of payroll and related costs for employees involved in researching in the field of cloud communication, and outsourced design expenses as well as expenses associated with the use by these functions of facilities and equipment, such as rental and depreciation expenses. Research and development expenses are expensed as incurred in accordance with ASC 730 amounted to RMB297,360 RMB326,513 and RMB222,538 for the years ended December 31, 2021, 2022 and 2023, respectively.

(w) Selling and Marketing Expenses

Selling and marketing expenses mainly consist of advertising expenses, promotion expenses, payroll and related expenses for personnel engaged in selling and marketing activities and expenses associated with the use by these functions of facilities and equipment, such as rental and depreciation expenses. Advertising expenses are expensed when incurred and are included in selling expenses in the consolidated statements of comprehensive loss. For the years ended December 31, 2021, 2022 and 2023, the advertising expenses were RMB57,618, RMB52,716 and RMB42,885 respectively.

(x) General and Administrative Expenses

General and administrative expenses mainly consist of payroll and related costs for employees involved in general corporate functions, expenses associated with the use of facilities and equipment by these employees, such as rental and depreciation expenses, professional fees and other general corporate expenses.

(y) Share-based Compensation

The Group applied ASC 718, *Compensation-Stock Compensation* ("ASC 718"), to account for its employee share-based payments. Share-based awards granted to the founders and employees in the form of restricted shares are measured at the grant date fair value of the awards, and are recognized as compensation expense using the graded-vesting schedules over the requisite service period for each separately vesting portion (or tranche) of the award. The Group elects to recognize the effect of forfeitures in compensation cost when they occur. To the extent the required vesting conditions are not met resulting in the forfeiture of the share-based awards, previously recognized compensation expense relating to those awards is reversed.

Share-based compensation in relation to the restricted ordinary shares is measured based on the fair value of the Company's ordinary shares at the grant date of the award, which is estimated using the income approach and equity allocation method. Estimation of the fair value of the Company's ordinary shares involves significant assumptions that might not be observable in the market, and a number of complex and subjective variables, discount rate, risk-free interest rate and subjective judgments regarding the Company's projected financial and operating results, its unique business risks, the liquidity of its ordinary shares and its operating history and prospects at the time the grants are made. Share-based compensation in relation to the share options is estimated using the binominal option pricing model. The determination of the fair value of share options is affected by the fair value of the Company's ordinary shares as well as the assumptions regarding a number of complex and subjective variables, including the expected share price volatility, risk-free interest rate, exercise multiple and expected dividend yield. The fair value of these awards was determined by management with the assistance from a valuation report prepared by an independent valuation firm using management's estimates and assumptions.

A change in any of the terms or conditions of share-based awards is accounted for as a modification of the awards. The Company calculates incremental compensation cost of a modification as the excess of the fair value of the modified awards over the fair value of the original awards immediately before its terms are modified at the modification date. For vested awards, the Company recognizes incremental compensation cost in the period the modification occurs. For awards not being fully vested, the Company recognizes the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original awards over the remaining requisite service period after modification.

(z) Employee Benefits

The Company's subsidiaries and the VIE and VIE's subsidiaries in the PRC participate in a government mandated, multi-employers, defined contribution plan, pursuant to which certain retirement, medical, housing and other welfare benefits are provided to employees. PRC labor laws require the entities incorporated in the PRC to pay to the local labor bureau a monthly contribution calculated at a stated contribution rate on the monthly basic compensation of qualified employees. The Company also makes payments to other defined contribution plans and defined benefit plans for the benefit of employees employed by the subsidiary of Japan. The Group has no further commitments beyond its monthly contribution. Employee social benefits included as expenses in the accompanying consolidated statements of comprehensive loss amounted to RMB94,148, RMB104,722 and RMB86,198 for the years ended December 31, 2021, 2022 and 2023, respectively.

(aa) Income Taxes

The Company follows the asset and liability method in according for income taxes in according to ASC topic 740 "Taxation" ("ASC 740"), Income Taxes, Under this method, current income taxes are provided on the basis of income before income taxes for financial reporting purposes, and adjusted for income and expense items which are not assessable or deductible for income tax purposes, deferred income taxes are provided using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the tax effects of temporary differences and are determined by applying enacted statutory tax rates that will be in effect in the period in which the temporary differences are expected to reverse to the temporary differences between the financial statements' carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided to reduce the amount of deferred income tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred income tax assets will not be realized. The effect on deferred income taxes arising from a change in tax rates is recognized in the consolidated statements of comprehensive loss in the period of change.

The Company adopts ASC740 to account for uncertainty in income taxes. ASC740 clarifies a "more likely than not" recognition threshold in the evaluation of uncertain tax positions. The Group recognizes the benefit of a tax position in its consolidated financial statements if the tax position is "more likely than not" to prevail based on the facts and technical merits of the position. Tax positions that meet the "more likely than not" recognition threshold is measured at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. Unrecognized tax benefits may be affected by changes in interpretation of laws, rulings of tax authorities, tax audits, and expiry of statutory limitations. In addition, changes in facts, circumstances and new information may require the Group to adjust the recognition and measurement estimates with regard to individual tax positions. Accordingly, unrecognized tax benefits are periodically reviewed and re-assessed. Adjustments, if required, are recorded in the Group's consolidated financial statements in the period in which the change that necessities the adjustments occur. The ultimate outcome for a particular tax position may not be determined with certainty prior to the conclusion of a tax audit and, in certain circumstances, a tax appeal or litigation process. The Group records interest and penalties related to unrecognized tax benefits (if any) in interest expenses and general and administrative expenses, respectively. As of December 31, 2022 and 2023, the Group did not have any significant unrecognized uncertain tax positions.

(bb) Operating Leases

The Company adopted ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02") from January 1, 2022 by using the modified retrospective method and did not restate the comparable periods. The Company has elected the package of practical expedients, which allows the Company not to reassess (1) whether any expired or existing contracts as of the adoption date are contain a lease, (2) lease classification for any expired or existing leases as of the adoption date and (3) initial direct costs for any expired or existing leases as of the adoption date. The Company also elected the short-term lease exemption for all contracts with lease terms of 12 months or less.

The Company determines if an arrangement is a lease or contains a lease at lease inception. Leases are classified at the inception date as either as a finance lease or an operating lease. The Company classifies a lease as a finance lease when the lease meets any one of the following criteria at lease commencement:

a. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.

b. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

c. The lease term is for a major part of the remaining economic life of the underlying asset.

d. The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments equals or exceeds substantially all of the fair value of the underlying asset.

e. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the Company at the end of the lease term.

For operating leases, the Company recognizes an ROU asset and a lease liability based on the present value of the lease payments over the lease term on the consolidated balance sheets at commencement date. At lease commencement, operating lease ROU assets represent the right to use underlying assets for their respective lease terms and are recognized at amounts equal to the lease liabilities adjusted for any lease payments made prior to the lease commencement date, less any lease incentives received and any initial direct costs incurred by the Company.

After lease commencement, operating lease liabilities are measured at the present value of the remaining lease payments using the discount rate determined at lease commencement.

Operating lease ROU assets are measured at the amount of the lease liabilities and further adjusted for prepaid or accrued lease payments, the remaining balance of any lease incentives received, unamortized initial direct costs and impairment of the ROU assets, if any. Operating lease expense is recorded as a single cost on a straight-line basis over the lease term.

The Company's leases do not provide an implicit rate, the Company estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located.

(cc) Foreign Currency Translation and Foreign Currency Risks

The Company's reporting currency is RMB. The functional currency of the Company and its subsidiary incorporated at Hong Kong S.A.R. is the US$. The functional currency of the Company's subsidiary incorporated at Japan is JPY. The functional currency of the Company's PRC subsidiary, the VIE and the VIE's subsidiaries is RMB.

Transactions denominated in currencies other than the functional currency are remeasured into the functional currency at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in a foreign currency are remeasured into the functional currency using the applicable exchange rate at the balance sheet date. The resulted exchange differences are recorded as foreign currency exchange gains (losses), net in the consolidated statements of comprehensive loss.

The financial statements of the Company, its subsidiary incorporated at Hong Kong S.A.R. and its subsidiary incorporated at Japan are translated from the functional currency into RMB. Assets and liabilities are translated into RMB using the applicable exchange rates at the balance sheet date. Equity accounts other than earnings (deficits) generated in the current period are translated into RMB using the appropriate historical rates. Revenues, expenses, gains and losses are translated into RMB using the average exchange rates for the relevant period. The resulted foreign currency translation adjustments are recorded as a component of other comprehensive loss in the consolidated statements of comprehensive loss, and the accumulated foreign currency translation adjustments are recorded as a component of accumulated other comprehensive loss in the consolidated statements of changes in shareholders' deficit.

RMB is not a freely convertible currency. The PRC State Administration for Foreign Exchange, under the authority of the PRC government, controls the conversion of RMB to foreign currencies. The value of RMB is subject to changes of central government policies and international economic and political developments affecting supply and demand in the PRC foreign exchange trading system market.

(dd) Concentration and Risk

Concentration of customers and suppliers

No customers individually represent greater than 10.0% of total revenues of the Group during the years ended December 31, 2021, 2022 and 2023.

No suppliers individually represent greater than 10.0% of total purchases of the Group during the years ended December 31, 2021. One supplier represents 11.1% of total purchases of the Group during the year ended December 31,2022. Two supplier represents 14.7% and 13.4% of total purchases of the Group during the year ended December 31, 2023, respectively.

Two customers represent 21.0% and 17.1% of total accounts receivable, net including related party amounts and contract assets of the Group as of December 31, 2022, respectively. Two customers represent 15.4% and 13.8% of total accounts receivable, net including related party amounts and contract assets of the Group as of December 31, 2023, respectively.

Two suppliers represent 11.2% and 11.1% of total accounts payable of the Group as of December 31, 2022, respectively. Two suppliers represent 14.7% and 11.3% of total accounts payable of the Group as of December 31, 2023, respectively.

No customers individually represent greater than 10.0% of total contract liabilities of the Group as of December 31, 2022. One customer represents 10.2% of total contract liabilities of the Group as of December 31, 2023.

One supplier individually represents 21.5% of prepayments and other current assets excluding related party amounts of the Group as of December 31, 2022. One supplier individually represents 21.0% of prepayments and other current assets excluding related party amounts of the Group as of December 31, 2023.

Concentration of credit risk

Financial instruments that potentially expose the Group to concentrations of credit risk consist principally of cash, restricted cash, term deposits, short-term investments and accounts receivable. The total amount of these financial instruments was RMB1,989 million and RMB1,494 million as of December 31, 2022 and 2023.

The Group's investment policy requires cash, restricted cash, term deposits and short-term investments to be placed with high-quality financial institutions and to limit the amount of credit risk from any one issuer. The Group regularly evaluates the credit standing of the counterparties or financial institutions.

The Group conducts credit evaluations on its customers prior to delivery of goods or services. The assessment of customer creditworthiness is primarily based on historical collection records, research of publicly available information and customer on-site visits by senior management. Based on this analysis, the Group determines what credit terms, if any, to offer to each customer individually. If the assessment indicates a likelihood of collection risk, the Company will not deliver the services or sell the products to the customer or require the customer to pay cash, post letters of credit to secure payment or to make significant down payments.

Interest rate risk

The Group's short-term bank borrowings bears interests at fixed rates. If the Group were to renew these loans, the Group might be subject to interest rate risk.

(ee) Loss per Share

In accordance with ASC 260, *Earnings per Share,* basic income (loss) per share is computed by dividing net income (loss) attributable to ordinary shareholders by the weighted average number of ordinary shares and participating securities during the period, considering the accretions to redemption value of the preferred shares, by the weighted average number of ordinary shares outstanding during the year using the two-class method. Under the two-class method, any net income is allocated between ordinary shares and other participating securities based on their participating rights. A net loss is not allocated to participating securities when the participating securities does not have contractual obligation to share losses.

The Company's preferred shares and restricted ordinary shares are participating securities. The preferred shares are participating securities as they participate in undistributed earnings on an as-if-converted basis and the restricted ordinary shares are participating securities as the holders of the restricted ordinary shares have a non-forfeitable right to receive dividends with all ordinary shares. Neither the preferred shares nor the restricted ordinary shares has a contractual obligation to fund or otherwise absorb the Group's losses. Accordingly, any undistributed net income is allocated on a pro rata basis to the ordinary shares, preferred shares and restricted ordinary shares; whereas any undistributed net loss is allocated to ordinary shares only.

Unvested restricted ordinary shares are excluded from the weighted average number of ordinary shares outstanding because the restricted ordinary shareholders must return the restricted ordinary shares to the Company, if the specified condition are not met.

Diluted loss per share is calculated by dividing net loss attributable to ordinary shareholders, as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of shares issuable upon the conversion of the preferred shares and shares issuable upon the exercise of warrants, and ordinary shares issuable upon the vest of restricted ordinary shares or exercise of outstanding share option (using the treasury stock method). Ordinary equivalent shares are calculated based on the most advantageous conversion rate or exercise price from the standpoint of the security holder. Ordinary equivalent shares are not included in the denominator of the diluted loss per share calculation when inclusion of such shares would be anti-dilutive.

(ff) Segment Reporting

The Company's chief operating decision maker has been identified as the chief executive officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. For the purpose of internal reporting and management's operation review, the Company's chief executive officer and management personnel do not segregate the Group's business by product or service. All products and services are viewed as in one and the only operating segment.

(gg) Treasury Stock

The Company accounts for treasury stock using the cost method. Under this method, the cost incurred to purchase the stock is recorded in the treasury stock account on the consolidated balance sheets. At retirement of the treasury stock, the ordinary shares account is charged only for the aggregate par value of the shares. The excess of the acquisition cost of treasury stock over the aggregate par value is allocated between additional paid-in capital and retained earnings.

(hh) Statutory Reserves

In accordance with the PRC Company Laws, the Group's PRC subsidiary, VIE and VIE's subsidiaries must make appropriations from their after-tax profits as determined under the generally accepted accounting principles in the PRC ("PRC GAAP") to non-distributable reserve funds including statutory surplus fund and discretionary surplus fund. The appropriation to the statutory surplus fund must be 10% of the after-tax profits as determined under PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of the PRC companies. Appropriation to the discretionary surplus fund is made at the discretion of the PRC companies.

The statutory surplus fund and discretionary surplus fund are restricted for use. They may only be applied to offset losses or increase the registered capital of the respective companies. These reserves are not allowed to be transferred to the Company by way of cash dividends, loans or advances, nor can they be distributed except for liquidation.

During the years ended December 31, 2022 and 2023, no profit appropriation to statutory surplus fund for the Group's entities incorporated in the PRC. No appropriation to discretionary surplus fund was made for any of the periods presented by the Group's PRC subsidiary, VIE and VIE's subsidiaries.

(ii) Impact of newly adopted accounting pronouncement

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805) – Accounting for Contract Assets and Contract Liabilities from Contracts with Customers,* which requires that an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606, as if it had originated the contracts. Prior to this ASU, an acquirer generally recognizes contract assets acquired and contract liabilities assumed that arose from contracts with customers at fair value on the acquisition date. The ASU is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The ASU is to be applied prospectively to business combinations occurring on or after the effective date of the amendment (or if adopted early as of an interim period, as of the beginning of the fiscal year that includes the interim period of early application). The Group adopted this guidance on January 1, 2023 with no material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses*, which introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments, including, but not limited to, trade and other receivables and net investments on leases. The Group assessed that trade receivables, contract assets, other current assets and other non-current assets are within the scope of ASC 326. The Group has identified the relevant risk characteristics of accounts receivable and contract assets which include size, the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses, etc. Other key factors that influence the expected credit loss analysis include industry-specific factors that could impact the credit quality of the Group's receivables. This is assessed at year end based on the Group's specific facts and circumstances. All forward looking statements are, by their nature, subject to risks and uncertainties, many of which are beyond the Group's control. Primarily as a result of the macroeconomic and market turmoil caused by COVID-19, the Group updated the model based on the continuously monitoring result and took the latest available information into consideration.

The Group adopted this ASC 326 on January 1, 2023 using a modified retrospective approach with a cumulative effect recorded as an increase of accumulated deficit in the amount of RMB196, which contributed by a decrease of accumulated deficit of RMB183 from the expected credit loss provision for accounts receivables and an increase of accumulated deficit of RMB379 from the expected credit loss provision for contract assets.

Other current assets and other non-current assets of the Group primarily consist of prepayment to suppliers, contract deposits and rent deposits, which don't carry significant expected credit loss provision, and the expected loss of which is recognized individually. The following tables summarize the activity in the allowance for credit losses related to accounts receivable and contract assets for the year ended December 31, 2023.

Accounts receivable, net

	December 31,		
	2022	2023	
	RMB	RMB	US$
Accounts receivable	214,923	243,772	34,335
Allowance for credit loss	(81,247)	(99,647)	(14,035)
Accounts receivable, net	**133,676**	**144,125**	**20,300**

The following movement represents the movement in the allowance for credit losses:

	Year ended December 31,		
	2022	2023	
	RMB	RMB	US$
Balance at the beginning of the year	**57,360**	**81,247**	**11,443**
Adoption of ASC326	-	(183)	(26)
Provisions	23,887	18,583	2,617
Write-off	-	-	-
Balance at the end of the year	**81,247**	**99,647**	**14,034**

Contract assets, net

	December 31,		
	2022	2023	
	RMB	RMB	US$
Contract assets	63,144	36,469	5,136
Allowance for credit loss	(12,306)	(10,362)	(1,459)
Contract assets, net	**50,838**	**26,107**	**3,677**

The following movement represents the movement in the allowance for credit losses:

	Year ended December 31,		
	2022	2023	
	RMB	RMB	US$
Balance at the beginning of the year	**10,604**	**12,306**	**1,733**
Adoption of ASC326	-	379	53
Provisions	1,702	(2,323)	(327)
Write-off	-	-	-
Balance at the end of the year	**12,306**	**10,362**	**1,459**

(jj) Recently issued accounting pronouncements not yet adopted

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. This guidance also requires certain disclosures for equity securities subject to contractual sale restrictions. The new guidance is required to be applied prospectively with any adjustments from the adoption of the amendments recognized in earnings and disclosed on the date of adoption. This guidance is effective for the Company for the year ending December 31, 2024 and interim reporting periods during the year ending December 31, 2024. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the group's consolidated financial statements.

In September 2022, the FASB issued ASU 2022-04, *Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*, which require a buyer in a supplier finance program disclose qualitative and quantitative information about the supplier finance program. The amendments do not affect the recognition, measurement, or financial statement presentation of obligations covered by supplier finance programs. The new guidance is required to be applied retrospectively to each period in which a balance sheet is presented, except for the amendment on rollforward information, which should be applied prospectively. This guidance is effective for the Company for the year ending December 31, 2024 and interim reporting periods during the year ending December 31, 2024. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the group's consolidated financial statements.

In March 2023, the FASB issued ASU No. 2023-02, *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*, that is intended to improve the accounting and disclosures for investments in tax credit structures. This ASU allows reporting entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for all entities in any interim period. The adoption of ASU 2023-02 is not expected to have any impact on the Company's consolidated financial statements.

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*. This standard was issued in response to the SEC's disclosure update and simplification initiative, which affects a variety of topics within the Accounting Standards Codification. The amendments apply to all reporting entities within the scope of the affected topics unless otherwise indicated. The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The Company is currently evaluating the impact this guidance will have on its financial statement disclosures.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The ASU expands public entities' segment disclosures by requiring disclosure of significant segment expenses that are regularly reviewed by the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items, and interim disclosures of a reportable segment's profit or loss and assets. The ASU also allows, in addition to the measure that is most consistent with U.S. GAAP, the disclosure of additional measures of segment profit or loss that are used by the CODM in assessing segment performance and deciding how to allocate resources. The ASU is effective for the Company's Annual Report on Form 20F for the fiscal year ended December 31, 2024, and subsequent interim periods, with early adoption permitted. The Company does not expect the adoption of this ASU will have a significant impact on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which improves income tax disclosures. The amendments require the disclosure of specific categories in the rate reconciliation and additional information for reconciling items that meet a quantitative threshold. The amendments also require disaggregated information about the amount of income taxes paid (net of refunds received), Income (or loss) from continuing operations before income tax expense (or benefit) and Income tax expense (or benefit) from continuing operations. The new guidance is required to be applied either prospectively or retrospectively. This guidance is effective for the Company for the year ending March 31, 2026. Early adoption is permitted. The Company is evaluating the impact of the adoption of this guidance.

In March 2024, the Securities and Exchange Commission issued *The Enhancement and Standardization of Climate - Related Disclosures for Investors,* which requires entities to provide information of certain climate - related information. This update will be effective for the Company's fiscal years beginning in 2027. The Company is currently in the process of evaluating the disclosure impact.

In November 2024, the FASB issued ASU2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. The standard will require additional disclosure of the nature of expenses included in the income statement in response to longstanding requests from investors for more information about an entity's expenses. The new standard requires disclosures about specific types of expenses included in the expense captions presented on the face of the income statement as well as disclosures about selling expenses. ASU2024-03 applies to all public business entities and is effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods within annual reporting periods beginning after December 15, 2027. The requirements will be applied prospectively with the option for retrospective application. Early adoption is permitted. We are evaluating this standard to determine if adoption will have a material impact on our consolidated financial statements.

3. BUSINESS ACQUISITION

The Company accounted for its acquisition in accordance with ASC 805, "Business Combination" ("ASC 805"). The result of the acquiree's operation has been included in the consolidated financial statements since the acquisition date. The excess of the fair value of the consideration transferred over the fair value of net tangible and intangible assets acquired was recorded as goodwill, which is not deductible for corporate income taxation purposes.

a) Acquisition of EliteCRM

On March 10, 2021, the Company entered into a definitive agreement to acquire all the equity interests of EliteCRM in exchange for RMB180 million consideration in cash. EliteCRM was a customer relationship management software provider, and the Group expected to generate synergy with the Cloud-based CC service line after the closing of acquisition. The Group obtained the control of EliteCRM business on March 22, 2021, and paid off the cash consideration for the year ended December 31, 2021.

The acquisition was recorded as a business combination. The Group determined the fair values of assets acquired and liabilities assumed for this acquisition with assistance of an independent appraiser. The goodwill resulting from the acquisition is primarily attributable to the assembled workforce and established network of customers around China. The acquired goodwill is not deductible for tax purposes. A summary of identifiable assets acquired and liabilities assumed in connection with the acquisition is as follows:

Purchase consideration:	**RMB**
cash	180,000

Recognized amounts of identifiable assets acquired and liabilities assumed:	**March 22,2021**
Cash	3,986
Accounts receivable	6,455
Prepaid expenses and other current assets	765
Property and equipment, net	4,944
Intangible assets	
Trademark	4,632
Non-compete arrangements	85
Customer relationship	15,000
Technology	4,588
Accounts payable	(5,215)
Contract liabilities	(568)
Accrued expenses and other current liabilities	(8)
Deferred income tax liability	(1,665)
Total identifiable assets acquired and liabilities assumed	32,999
Goodwill	147,001

The intangible assets consist of trademark, non-compete arrangements, customer relationship and Technology. The fair values of trademark of RMB4,632, non-competition arrangements of RMB85, customer relationship of RMB15,000 and Technology of RMB 4,588 are amortized over 8 years, 2 years, 10 years and 6 years, respectively on a straight-line basis.

Intangible assets and goodwill arising from the above acquisition was subjected to annual impairment assessment, and impairment loss of nil, RMB8,691 and nil from intangible assets, and impairment loss of RMB82,467, RMB10,107 and nil from goodwill was recorded for the year ended December 31 2021, 2022 and 2023, respectively (refer to Note 10, and 11).

Since the date of acquisition, EliteCRM have contributed RMB48,701 and RMB8,968 in aggregate to the Group's Revenue and loss, respectively, for the year ended December 31 2021.

Had the combination taken place on 1 January 2021, the revenue of the Group would have been RMB759,057, and loss of the Group would have been RMB898,419 respectively, for the year ended 31 December 2021.

b) Acquisition of Kunlunjiexin

On August 10, 2021, the Company entered into a share purchase agreement with the largest shareholder of Beijing Kunlunjiexin technology Co., LTD ("Kunlunjiexin") to acquire 58.1273% equity interests of Kunlunjiexin in exchange for RMB23 million consideration in cash. Kunlunjiexin mainly provided AI risk management solutions to energy industry, and the Group expected to generate synergy with the Cloud-based UC&C service line after the closing of acquisition. The Group obtained the control of Kunlunjiexin business on August 31, 2021, and paid cash consideration of RMB23 million for the year ended December 31, 2021.

According to the share purchase agreement, all shareholders will dilute a total of 11.5% equity interest, on a pro rate basis, to setup an ESOP plan upon six months after closing of the acquisition. According to ASC 718, *Compensation-Stock Compensation* ("ASC 718"), the shares to be retained for ESOP, which plans to issue shares to employees and management members of Kunlunjiexin should be accounted as compensation for post-combination service as the share options or restricted shares are restricted and are subject to a vesting schedule of service period and forfeiture to the extent any restricted shares remain unvested in case of early termination of employment. As of December 21, 2021, the ESOP plan was canceled, and as of the reporting date, the Company has not approved any incentive plan in this ESOP.

The acquisition was recorded as a business combination, the Group determined the fair values of assets acquired and liabilities assumed for this acquisition with assistance of an independent appraiser. The goodwill resulting from the acquisition is primarily attributable to the assembled workforce and established network of customers around China. The acquired goodwill is not deductible for tax purposes. A summary of identifiable assets acquired and liabilities assumed in connection with the acquisition is as follows:

Purchase consideration:	**RMB**
cash	23,100

Recognized amounts of identifiable assets acquired and liabilities assumed:	**August 31,2021**
Cash	31
Accounts receivable	936
Prepaid expenses and other current assets	15,578
Property and equipment, net	16
Intangible assets	
Technology	147
Deferred income tax assets	1,327
Accounts payable	(9,050)
Contract liabilities	(624)
Accrued expenses and other current liabilities	(1,690)
Total identifiable assets acquired and liabilities assumed	6,671
Fair value of non-redeemable non-controlling interests in Kunlunjiexin	(2,793)
Goodwill	19,222

The intangible assets are Technology. The fair value of Technology is RMB147, which is amortized over 5 years, on a straight-line basis.

Intangible assets and goodwill arising from the above acquisition was subjected to the annual impairment assessment, and impairment loss of RMB136 and RMB19,222 from intangible assets and goodwill was recorded for the year ended December 2021, respectively (refer to Note 10, and 11).

The acquisition above did not have a material impact on the Group's consolidated financial statements, and, therefore, pro forma disclosures have not been presented.

c) Acquisition of Joytel Singapore PTE. Ltd

On November 12, 2021, the Company entered into a share purchase agreement with all of the selling shareholders of Joytel Singapore PTE. Ltd to acquire 100% equity interests of Joytel Singapore PTE. Ltd in exchange for RMB64 consideration in cash. The Group obtained the control of Joytel Singapore PTE. Ltd on November 30, 2021, and paid off the cash consideration of RMB64 in November, 2021.

The acquisition was recorded as a business combination. The total identifiable assets acquired and liabilities assumed was RMB6, and no intangible assets and goodwill was identified. The different between the consideration and total identifiable assets acquired and liabilities amounting RMB58 was recognized in expenses during the year ended in December 31, 2021.

d) Acquisition of Zhuge Inc.

On December 8, 2021, the Company entered into a share purchase agreement with all of the selling shareholders of Zhuge Inc. to acquire 100% equity interests of Zhuge Inc. in exchange for RMB93.5 million consideration in cash and 30,463 ordinary shares of the Company. Zhuge Inc. mainly provided professional data intelligence solutions, and the Group expected to generate synergy with the Cloud-based CC service line after the closing of acquisition. The Group obtained the control of Zhuge Inc. on December 22, 2021 and paid off the cash consideration of RMB93.5 million as of the report date.

The acquisition was recorded as a business combination. The Group determined the fair values of assets acquired and liabilities assumed for this acquisition with assistance of an independent appraiser. The goodwill resulting from the acquisition is primarily attributable to the assembled workforce and established network of customers around China. The acquired goodwill is not deductible for tax purposes. A summary of identifiable assets acquired and liabilities assumed in connection with the acquisition is as follows:

Purchase consideration:	**RMB**
cash	93,511
Fair value of 30,463 ordinary shares	300
	93,811

Recognized amounts of identifiable assets acquired and liabilities assumed:	**December 31, 2021**
Cash	6,551
Accounts receivable	815
Prepaid expenses and other current assets	635
Property and equipment, net	19
Intangible assets	
Trademark	2,840
Non-compete arrangements	720
Order backlogs	8,560
Customer relationship	-
Technology	6,400
Short-term loan	(5,500)
Accounts payable	(1,220)
Contract liabilities	(4,129)
Accrued expenses and other current liabilities	(12,780)
Deferred income tax liability	(4,630)
Long-term borrowings	(9,144)
Total identifiable assets acquired and liabilities assumed	(10,863)
Goodwill	104,674

The intangible assets consist of trademark, non-compete arrangements, order backlogs, customer relationship and Technology. The fair values of trademark of RMB2,840, non-competition arrangements of RM720, order backlogs of RMB8,560, and Technology of RMB6,400 are amortized over 10 years, 4 years, 4 years and 7 years, respectively on a straight-line basis.

The consideration was negotiated and determined several months before the signature of the share purchase agreement. The Company made the annual impairment test on goodwill, and an impairment loss of RMB47.4 million for goodwill was recorded for the year ended December 31, 2021 (refer to Note 11).

Intangible assets and goodwill arising from the above acquisition was subjected to the annual impairment assessment, and impairment loss of RMB15,002 and RMB57,271 from intangible assets and goodwill was recorded for the year ended December 2022, respectively (refer to Note 10, and 11).

The acquisition above did not have a material impact on the Group's consolidated financial statements, and, therefore, pro forma disclosures have not been presented.

e) Acquisition of Molun SCRM

On January 26, 2022, the Company entered into a definitive agreement to acquire all the equity interests of Molun SCRM business with the cash consideration of RMB31.8 million, which was the private domain social customer relationship management ("SCRM") software provider targeting car OEMs and dealers. The Group expected to generate synergy with the Cloud-based CC service line after the closing of acquisition. The Group obtained the control of Molun SCRM business in March, 2022 and paid off the cash consideration of RMB31.8 million as of December 31, 2022.

The transaction was accounted for under the acquisition method of accounting in accordance with ASC Topic 805. The acquisition was recorded as a business combination. The Group determined the fair values of assets acquired and liabilities assumed for this acquisition with assistance of an independent appraiser. The goodwill resulting from the acquisition is primarily attributable to the assembled workforce and established network of customers around China. The acquired goodwill is not deductible for tax purposes. A summary of identifiable assets acquired and liabilities assumed in connection with the acquisition is as follows:

Purchase consideration:	**RMB**
cash	31,800

Recognized amounts of identifiable assets acquired and liabilities assumed:	**March, 2022**
Prepaid expenses and other current assets	150
Intangible assets	
Order backlogs	100
Trademark	1,000
Technology	3,730
Contract liabilities	(12,002)
Deferred income tax liability	(1,207)
Total identifiable assets acquired and liabilities assumed	**(8,229)**
Goodwill	40,029

The intangible assets consist of non-compete arrangements, customer relationship and Technology. The fair values of order backlogs of RMB100, trademark of RMB1,000 and Technology of RMB3,730 are amortized over 1 year, 10 years and 9 years, respectively on a straight-line basis.

Intangible assets and goodwill arising from the above acquisition was subjected to the annual impairment assessment, and impairment loss of RMB4,318 and RMB40,029 from intangible assets and goodwill was recorded for the year ended December 31, 2022, respectively (refer to Note 10, and 11).

The acquisition above did not have a material impact on the Group's consolidated financial statements, and, therefore, pro forma disclosures have not been presented.

4. CASH AND RESTRICTED CASH

A reconciliation of cash and restricted cash in the consolidated balance sheets to the amounts in the consolidated statement of cash flows is as follows:

	December 31,	
	2022	2023
	RMB	RMB
Cash	526,740	377,947
Restricted cash	525	4,502
Total cash and restricted cash shown in the consolidated statements of cash flows	**527,265**	**382,449**

The balances of restricted cash were mainly related to bank deposits for performance guarantee, which were restricted for use as of December 31, 2022 and 2023, and will be released from restriction within the next 12 months.

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following:

	December 31,	
	2022	2023
	RMB	RMB
Accounts receivable - third parties	214,819	242,944
Allowance for credit loss - third parties	(81,242)	(99,523)
Accounts receivable - third parties, net	**133,577**	**143,421**
Accounts receivable – related parties	104	828
Allowance for credit loss – related parties	(5)	(124)
Accounts receivable – related parties	**99**	**704**

The movement of the allowance for credit loss including both account receivables due from third parties and a related party is as follows:

Allowance for credit loss - third parties	Year ended December 31,	
	2022	2023
	RMB	RMB
Balance at the beginning of the year	**57,344**	**81,242**
Additions charged to credit loss	23,898	18,281
Write-off	-	-
Balance at the end of the year	**81,242**	**99,523**

Allowance for credit loss –related parties	Year ended December 31,	
	2022	2023
	RMB	RMB
Balance at the beginning of the year	**16**	**5**
Additions charged to credit loss	(11)	119
Balance at the end of the year	**5**	**124**

The aging analysis table of allowance for credit loss is as follows:

	As of December 31,	
	2022	2023
	RMB	RMB
Within 1 year	(7,031)	(61,083)
Thereafter	(74,211)	(38,440)
Allowance for credit loss - third parties	**(81,242)**	**(99,523)**
Within 1 year	(5)	(124)
Allowance for credit loss - related parties	**(5)**	**(124)**

6. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as of December 31, 2022 and 2023 consisted of the following:

	December 31,	
	2022	2023
	RMB	RMB
Advance to suppliers	60,721	44,277
Deposits	11,417	13,452
Staff advances	902	967
Deductible input VAT	25,975	39,999
Receivables from third party payment platforms	1,387	1,594
Others	7,727	9,166
Prepayments and Other Current Assets	108,129	109,455

7. LONG-TERM INVESTMENTS

	For the year ended December 31,	
	2022	2023
	RMB	RMB
Equity method investments		
Shanghai Keshen Information Technology Co., Ltd.	14,146	13,165
Beijing Lingshang Chunding Technology Co., Ltd.	-	-
Total equity method investments	**14,146**	**13,165**
Other equity investments		
Shanghai Yuhuan Information System Co.Ltd.	18,784	18,784
Beijing Hujingtiaoyue Technology Co., Ltd.	11,000	11,000
Xinyu Hongling Investment Management Center (limited Partnership)	14,600	11,100
Total other equity investments	**44,384**	**40,884**
Total long-term investments	**58,530**	**54,049**

(a) Equity method investments

Investments in Shanghai Keshen

In November 2021, Ronglian Yitong aquired 20% equity interest of Shanghai Keshen Information Technology Co., Ltd. ("Shanghai Keshen"), which is principally engaged in technology development, technology transfer, technical consultation and technical services, at a cash consideration of RMB15 million. Ronglian Yitong has the right to appoint one out of three directors for the year ended December 31, 2021. The investments are accounted for under the equity method as Ronglian Yitong is able to exercise significant influence through its board representation. Ronglian Yitong recognized its share of loss RMB479, RMB1,969 and RMB981 for the year ended December 31, 2021, 2022 and 2023. The Company performed an impairment analysis in 2021, 2022 and 2023, and recognized RMB406, nil and nil impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

Investments in Beijing Lingshang

In January 2023, Ronglian Yitong aquired 20% equity interest of Beijing Lingshang Chunding Technology Co., Ltd. ("Beijing Lingshang"), which is principally engaged in intelligent voice product development, technology transfer, technical consultation and technical services, at a cash consideration of RMB5 million. Ronglian Yitong has the right to appoint one out of three directors for the year ended December 31, 2023. The investments are accounted for under the equity method as Ronglian Yitong is able to exercise significant influence through its board representation. Ronglian Yitong recognized its share of loss RMB489 for the year ended December 31, 2023. The Company performed an impairment analysis in 2023, and recognized RMB4,511 impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

(b) Other equity investments

Investments in Hujingtiaoyue

In September 2017, Ronglian Yitong entered into a share purchase agreement to acquire 6.56% equity interest of Beijing Hujingtiaoyue Technology Co., Ltd. ("Hujingtiaoyue"), which is principally engaged in provision of artificial intelligence marketing solutions, at a cash consideration of RMB4,000. According to the shares purchase agreement, Ronglian Yitong, together with another shareholder, has the right to appoint one director. The Group accounts for its investment in Hujingtiaoyue as other equity investments since its investment is not in-substance common stock due to the liquidation preference feature, and does not have readily determinable fair value. The Group elected to measure other equity investments without a readily determinable fair value at cost adjusted for changes resulting from impairments, if any, and observable price changes in orderly transactions for the identical or similar securities of the same issuer.

In June 2018, Hujingtiaoyue entered into new financing agreements with new investors. After Hujingtiaoyue's new financing, Ronglian Yitong's equity interest in Hujingtiaoyue decreased to 5.45% and Ronglian Yitong, together with another shareholder, remains the right to appoint one director. The new financing provided an observable price for Ronglian Yitong's investment in Hujingtiaoyue and Ronglian Yitong evaluated the investment's carrying amount based on the observable price and recognized a gain of RMB100 from the change in fair value.

In May 2019, Hujingtiaoyue entered into new financing agreements with new investors. After Hujingtiaoyue's new financing, Ronglian Yitong's equity interest in Hujingtiaoyue further decreased to 4.29% and Ronglian Yitong, together with another shareholder, remains the right to appoint one director. The new financing provided an observable price for Ronglian Yitong's investments in Hujingtiaoyue and Ronglian Yitong evaluated this investment's carrying amount based on the observable price, and recognized a gain of RMB900 from the change in fair value.

In May 2021, Hujingtiaoyue conducted reorganization and setup Beijing Tanma Qifu Technolory Co., Ltd.("Beijing Tanma"), a new VIE. All shareholders of Hujingtiaoyue were transferred to Beijing Tanma, on a pro rate basis. Ronglian Yitong owned 4.29% equity interest in Beijing Tanma.

In October 2021 and December 2021, Beijing Tanma entered into new financing agreements with new investors. After Beijing Tanma's new financing, Ronglian Yitong's equity interest in Beijing Tanma further decreased to 2.45%. Since May 2021, Ronglian Yitong had no right to appoint any director due to reduction of equity interest. The new financing provided an observable price for Ronglian Yitong's investments in Hujingtiaoyue and Ronglian Yitong evaluated the investment's carrying amount based on the observable price, and recognized a gain of RMB8,000 from the change in fair value.

The new financing agreement with new investors provided the observable price for other equity investment and the fair value adjustment was determined primarily based on the market approach as of the transaction date, which takes into consideration a number of factors including recent financing pricing which shall be adjusted as similar securities to reflect difference in the rights and obligations between the equity security that was transacted and the equity security held by the Company, and discount rates from traded companies in the industry and requires the Company to make certain assumptions and estimates regarding industry factors. Specifically, some of the significant unobservable inputs

included discount of lack of marketability. The assumptions are inherently uncertain and subjective. Changes in any unobservable inputs may have a significant impact on the fair values.

In December 2022 and 2023, The Company performed impairment analysis, and recognized RMB2,000 and nil impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

Investments in Xinyu Hongling

In August 2021, Ronglian Yitong and other third party entities set up a limited partnership, Xinyu Hongling Investment Management Center (limited partnership) ("Xinyu Hongling"), which is mainly engaged in investment management and asset management, with a subscribed capital of RMB150 million. Xinyu Hongling's fund is used to invest in Xicheng Zhiyuan Digital Power Selection (Beijing) Investment Center (Limited Partnership) ("Xicheng Zhiyuan"), with a target subscription amount of RMB751 million. The subscribed capital contribution of Ronglian Yitong is RMB20,000, accounting for 13.33% and 2.66% of the registered capital of Xinyu Hongling and Xicheng Zhiyuan. As at December 31, 2021, Ronglian Yitong made the capital contribution of RMB20,000 to Xinyu Hongling, and Xinyu Hongling made the capital contribution of RMB75,000 to the Xicheng Zhiyuan, which received its capital funds of RMB340.5 million. According to the investment agreement, Ronglian Yitong does not have the right to appoint any directors. The Group accounts for its investment in Xinyu Hongling as other equity investments since its investment is not in-substance common stock due to the liquidation preference feature, and does not have readily determinable fair value. The Group elected to measure other equity investments without a readily determinable fair value at cost adjusted for changes resulting from impairments, if any, and observable price changes in orderly transactions for the identical or similar securities of the same issuer.

In December 2022 and 2023, the Company performed an impairment analysis, and recognized RMB5,400 and RMB3,500 impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

Investments in Shanghai Yuhuan

The Company performed impairment analysis for Shanghai Yuhuan Information System Co., Ltd. ("ShanghaiYuhuan") in 2021, 2022 and 2023, and recognized RMB4,256, nil and nil impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value. To estimate the fair value of investment in Shanghai Yuhuan, the Company used discounted cash flow model ("DCF Model"), which is based on the fair value of the entire invested capital of Shanghai Yuhuan using an income approach. The significant inputs for the valuation model include, but not limited to, future cash flows, discount rate, and the comparable selection set of companies operating in similar businesses.

8. PROPERTY AND EQUIPMENT, NET

Property and equipment as of December 31, 2022 and 2023 consisted of the following:

	December 31,	
	2022	2023
	RMB	RMB
Computer and office equipment	23,301	22,045
Furniture and fixtures	3,323	2,855
Motor vehicles	938	938
Leasehold improvement	2,618	3,431
Buildings	4,702	4,702
Property and Equipment	34,882	33,971
Less: Accumulated depreciation	20,493	23,586
Property and Equipment, net	14,389	10,385

Depreciation expenses were RMB5,507, RMB5,304 and RMB5,383 for the years ended December 31, 2021, 2022 and 2023, respectively.

Depreciation expenses on property and equipment were allocated to the following expense items:

	Year ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Cost of revenues	1,404	22	279
Research and development expenses	1,395	1,403	2,019
Selling and marketing expenses	1,703	2,158	1,299
General and administrative expenses	1,005	1,721	1,786
Total depreciation expenses	5,507	5,304	5,383

9. Lease

The Group has entered into various non-cancellable operating lease agreements for certain offices. The Group determines if an arrangement is a lease, or contains a lease, at inception and record the leases in the financial statements upon lease commencement, which is the date when the underlying asset is made available for use by the lessor.

The balances for the operating and finance leases where the Group is the lessee are presented as follows within the consolidated balance sheet:

	For the year ended December 31,		
Operating leases:	2022	2023	
Assets :	RMB	RMB	US$
Right-of-use assets - operating lease	16,342	13,992	1,971
Liability :			
Current portion of operating lease liabilities	10,162	10,300	1,451
Non-current operating lease liabilities	6,448	2,164	305
Total operating lease liabilities	**16,610**	**12,464**	**1,756**

The components of lease expenses were as follows:

	For the year ended December 31,		
	2022	2023	
Lease Cost	**RMB**	**RMB**	**US$**
Amortization of right-of-use assets	24,158	14,437	2,033
Interest of operating lease liabilities	1,414	3,210	414
Expenses for short-term leases within 12 months and other non-lease component	2,315	2,022	226
Total lease cost	**27,887**	**19,669**	**2,673**

As of December 31, 2022 and 2023, the weighted average remaining lease term was 1.74 and 1.28 years and weighted average discount rate was 5.28% and 5.49% for the Company's operating leases.

For the year ended December 31, 2021, 2022 and 2023, the Company recognized lease expense of RMB23,738, RMB26,954 and RMB19,669, respectively, under ASC 840.

Supplemental cash flow information related to leases where we are the lessee is as follows:

	For the year ended December 31,		
	2022	2023	
	RMB	RMB	US$
Cash payments for operating leases	27,575	20,582	2,899
ROU assets obtained in exchange for operating lease liabilities	7,455	7,825	1,102

As of Dec 31, 2023, the maturities of our operating are as follows:

	Operating Lease	
Year ending December 31.	**RMB**	**US$**
2024	11,255	1,585
2025	2,320	327
Total future lease payments	**13,575**	**1,912**
Less: Imputed interest	1,111	156
Total lease liability balance	**12,464**	**1,756**

As of Dec 31, 2022, the maturities of our operating are as follows:

	Operating Lease	
Year ending December 31.	**RMB**	**US$**
2023	**13,260**	**1,923**
2024	6,031	874
2025	941	136
Total future lease payments	20,232	2,933
Less: Imputed interest	2,895	420
Total lease liability balance	**17,337**	**2,513**

10. INTANGIBLE ASSETS, NET

The following table summarizes the Company's intangible assets, as of December 31, 2022 and 2023.

	December 31, 2022				
	Gross carrying amount	Accumulated amortization	Accumulated impairment	Net carrying amount	Weighted average amortization Period
	RMB	RMB	RMB	RMB	Years
Software copyrights	16,109	(9,833)	-	6,276	7.0
Telecommunication business operation licenses	2,882	(2,787)	-	95	4.0
Technology	14,865	(2,608)	(10,474)	1,783	7.2
Non-compete arrangements	805	(254)	(545)	6	3.8
Customer relationship	15,000	(2,625)	(5,586)	6,789	10.0
Trademark	8,472	(1,381)	(5,106)	1,985	8.9
Order backlogs	8,660	(2,223)	(6,437)	-	4.0
Total	66,793	(21,711)	(28,148)	16,934	

	December 31, 2023				
	Gross carrying amount	Accumulated amortization	Accumulated impairment	Net carrying amount	Weighted average amortization Period
	RMB	RMB	RMB	RMB	Years
Software copyrights	16,860	(11,627)	-	5,233	7.2
Telecommunication business operation licenses	2,882	(2,819)	-	63	4.0
Technology	14,865	(3,027)	(10,474)	1,364	7.2
Non-compete arrangements	805	(260)	(545)	-	3.8
Customer relationship	15,000	(3,448)	(5,586)	5,966	10.0
Trademark	8,472	(1,698)	(5,106)	1,668	8.9
Order backlogs	8,660	(2,223)	(6,437)	-	7.2
Total	67,544	(25,102)	(28,148)	14,294	

Amortization expenses for intangible assets were RMB4,997, RMB8,589 and RMB3,392 for the years ended December 31, 2021, 2022 and 2023, respectively.

The estimated amortization expense for the next five years is as follows:

	RMB
2024	3,085
2025	2,456
2026	2,323
2027	1,995
2028	1,727
Then thereafter	2,708

11. GOODWILL

The change in the carrying amount of goodwill by reporting unit is as follows:

	Acquisition of				
	Guohebing	Kunlunjiexin	Zhuge Inc.	Molun SAAS	Total
	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2020	-	-	-	-	-
Additions	147,001	19,222	104,674	-	270,897
Impairment	(82,467)	(19,222)	(47,403)	-	(149,092)
Balance as of December 31, 2021	**64,534**	-	**57,271**	-	**121,805**
Additions	-	-	-	40,029	40,029
Impairment	(10,107)	-	(57,271)	(40,029)	(107,407)
Balance as of December 31, 2022	**54,427**	-	-	-	**54,427**
Additions	-	-	-	-	-
Impairment	-	-	-	-	-
Balance as of December 31, 2023	**54,427**	-	-	-	**54,427**

In the annual goodwill impairment assessment, the Company concluded that the carrying amounts of these reporting units exceeded their respective fair values and recorded impairment losses of RMB149.1 million, RMB107.4 million and nil during the years ended December 31, 2021, 2022 and 2023, respectively. The fair value of these reporting units was determined using the market value approach.

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31,	
	2022	2023
	RMB	RMB
Accrued payroll and social insurance	95,297	53,679
Taxes payable	21,742	29,666
Deposits of BNY MELLON	32,726	33,078
Deposits	303	406
Staff reimbursements	7,991	5,727
Accrued liabilities for class action	83,575	-
Other payables	1,090	1,984
Accrued expenses and other current liabilities	242,724	124,540

13. WARRANT LIABILITIES

The Company classified the warrants to purchase redeemable convertible preferred shares as warrant liabilities and adjusted the carrying value of the warrant liabilities to fair value at the end of each reporting period utilizing the binomial option pricing model, which involves significant assumptions including the risk-free interest rate, the expected volatility, expected dividend yield and expected term. The risk-free interest rate was based on the U.S. Treasury rate for the expected remaining life of preferred shares warrants. The expected volatility was estimated based on the historical volatility of comparable peer public companies with a time horizon close to the expected term of the Company's warrant liabilities. Expected dividend yield is zero as the Company does not anticipate any dividend payments in the foreseeable future. Expected term is the remaining life of the warrant liabilities.

Series C Warrant

In February 2016, Ronglian Yitong entered into a two-year credit facility with SPD to borrow up to RMB40 million. On September 23, 2016, in connection with the credit facility arrangement, the Company issued a warrant to China Equities HK Limited ("China Equities"), a related party of SPD, to purchase an aggregate of 661,376 shares of the Company's Series C Redeemable Convertible Preferred Shares at an exercise price of US$0.945 per share. The warrant is exercisable upon issuance and expires on September 23, 2023. At initial recognition, the Group recorded the warrant liabilities on the consolidated balance sheet at its estimated fair value and subsequently, at each reporting date, recorded changes in estimated fair value included in the change in fair value of warrant liabilities on the consolidated statement of comprehensive loss. The fair value of the warrant to purchase 661,376 Series C Redeemable Convertible Preferred Shares is US$384 (equivalent to RMB2,679) as of December 31, 2019 and US$1,479 (equivalent to RMB9,650) as of December 31, 2020.

On March 22, 2021, China Equities exercised the Series C warrants, which entitled China Equities to purchase an aggregate of 664,611 shares of the Company's Series C Redeemable Convertible Preferred Shares at an exercise price of US$0.9404 per share. China Equities paid the exercise price by surrendering 26,042 Series C Redeemable Convertible Preferred Shares that it would entitle to receive upon a cash exercise of the warrant. Accordingly, by virtue of the cashless exercise of the warrant, the Company issued 638,569 Class A Ordinary Shares to China Equities, with the conversion and redesignation of all series C Redeemable Convertible Preferred Shares into Class A Ordinary Shares on a one-for-one basis after the Company's consummation of IPO. The fair value of Series C warrant is US$5,958 (equivalent to RMB38,841) at the exercise date.

The fair value of the warrant liability to China Equities HK Limited for purchasing Series C Redeemable Convertible Preferred Shares as of December 31, 2020 and March 22, 2021 are estimated with the following assumptions used:

	December 31, 2020	March 22, 2021
Risk-free rate of return	0.23%	0.38%
Volatility	53%	54%
Expected dividend yield	0%	0%
Fair value of underlying Series C Redeemable Convertible Preferred Shares	3.12	9.91
Expected term	2.7 years	2.5 years

Series F Warrant

On November 13, 2020, the Company agreed to issue a warrant to Novo Investment HK Limited ("Novo Investment") with the exercise price of US$34,000. Novo Investment may, within six months commencing from the issuance date, subscribe for an aggregate of 11,799,685 Series F Redeemable Convertible Preferred Shares of the Company, par value of US$0.0001 per share, at the exercise price of US$2.8814 per share, subject to adjustment. On January 7, 2021, the Series F warrant was fully exercised with the exercise price of US$34,000 and the Company issued 11,799,685 Series F Redeemable Convertible Preferred Shares to Novo Investment. At initial recognition, the Group recorded the warrant liabilities on the consolidated balance sheet at its estimated fair value and subsequently, at each reporting date, recorded changes in estimated fair value included in the change in fair value of warrant liabilities on the consolidated statement of comprehensive loss.

The fair value of the warrant to purchase 11,799,685 Series F Redeemable Convertible Preferred Shares is US$3,262 (equivalent to RMB21,622) at the issuance date, US$5,809 (RMB37,903) and 5,809 (RMB37,531) as of December 31, 2020 and January 7, 2021 (the exercise date).

The fair value of the warrant liability issued to Novo Investment for purchasing Series F Redeemable Convertible Preferred Shares as of November 13, 2020, December 31, 2020 and January 7, 2021 are estimated with the following assumptions used:

	November 13, 2020	December 31, 2020 and January 7, 2021
Risk-free rate of return	0.22%	0.19%
Volatility	50%	50%
Expected dividend yield	0%	0%
Fair value of underlying Series F Redeemable Convertible Preferred Shares	2.62	3.12
Expected term	0.5 year	0.36 years

14. REDEEMABLE CONVERTIBLE PREFERRED SHARES

On July 30, 2014, the Company issued 18,642,038 Series A Redeemable Convertible Preferred Shares ("Series A Preferred Shares") at US$0.1475 per share with total consideration of US$2,750 (equivalent to RMB16,902).

On February 6, 2015, the Company issued 19,617,225 Series B Redeemable Convertible Preferred Shares ("Series B Preferred Shares") at US$0.52 per share with total consideration of US$10,200 (equivalent to RMB62,691).

On June 10, 2016, the Company issued 18,608,315 Series C Redeemable Convertible Preferred Shares ("Series C Preferred Shares") to investors at US$1.34 per share with total consideration of US$25,000 (equivalent to RMB165,466).

Also on June 10, 2016, Max Connect Limited ("Max Connect"), incorporated in the Cayman Islands, purchased 26,051,641 Series C Redeemable Convertible Preferred Shares at nominal consideration. On the same day, Beijing Hongshan Shengde Equity Investment Center (Limited Partnership) ("Hongshan Shengde"), registered in the People's Republic of China and is an affiliate of Max Connect, and Ronglian Yitong and its nominee shareholders entered into a capital increase agreement, pursuant to which, Hongshan Shengde invested into Ronglian Yitong with cash of RMB230,087 (equivalent to US$35,000).

On November 3, 2020, the Company, Max Connect and Hongshan Shengde agreed to change certain investment arrangements relating to Max Connect's investment in Series C Redeemable Convertible Preferred Shares and Hongshan Shengde's investment in Ronglian Yitong, pursuant to which, (1) Max Honest Ltd. ("Max Honest"), incorporated in the Cayman Islands and is an affiliate of Max Connect and Hongshan Shengde, would be designated as the new holder of 26,051,641 Series C Redeemable Convertible Preferred Shares which was previously held by Max Connect, and (2) the capital increase arrangement with Ronglian Yitong would be terminated.

On the same day, the holder of Series C Redeemable Convertible Preferred Shares was re-designated: Max Connect surrendered 26,051,641 Series C Redeemable Convertible Preferred Shares for nominal consideration, and the Company approved the issue of 26,051,641 Series C Redeemable Convertible Preferred Shares to Max Honest for a consideration of US$35,000, which would be paid via a promissory note. To facilitate the repayment of the promissory note issued by Max Honest, the Company intends for Ronglian Yitong to pay to Hongshan Shengde the cash consideration that Max Honest have promised for its Series C Redeemable Convertible Preferred Shares and Max Honest will return such cash consideration to the Company. The net impact of those transactions will be to transfer a certain amount of cash from the Company's subsidiary to the Company, with no net impact on cash.

On November 3, 2020, the subscription receivable of US$35,000 from Max Honest was recorded as a reduction of mezzanine equity, and the payable by Ronglian Yitong to Hongshan Shengde with an amount of RMB230,087 was recorded in liabilities.

On March 19, 2018, the Company issued 12,462,157 Series D Redeemable Convertible Preferred Shares ("Series D Preferred Shares") at US$2.05 per share with total consideration of US$25,600 (equivalent to RMB160,975).

On August 28, 2019, the Company issued 13,040,152 Series E Redeemable Convertible Preferred Shares ("Series E Preferred Shares") at US$2.45 per share with total consideration of US$32,000 (equivalent to RMB226,646). The issuance costs were US$1,766 (equivalent to RMB12,427).

On March 25, 2020 and July 15, 2020, the Company issued 3,706,745 and 3,501,087 ordinary shares, in connection with the purchase of non-controlling interests of the Group's subsidiaries. Pursuant to the anti-dilution provision in the Series E financing arrangement, the Company issued 263,843 and 406,605 additional Series E Preferred shares at par value to existing Series E Preferred Shareholders on March 25, 2020 and July 15, 2020, respectively. The newly issued preferred shares were deemed as dividends to the existing Series E Preferred Shares.

On November 13, 2020, the Company issued 31,581,509 Series F Redeemable Convertible Preferred Shares ("Series F Preferred Shares") at US$2.88 per share with total consideration of US$91,000 (equivalent to RMB598,662). The issuance costs were US$1,807 (equivalent to RMB11,830).

In February 2021, the Company completed its IPO on the New York stock exchange and issued 23,000 ADSs for a net proceed of US$342 million (equivalent to RMB2.2 billion) at an issuance price of US$16 per ADS. Each ADS represents two ordinary shares. The issued and outstanding 158,900,014 redeemable convertible preferred shares were converted to Class A ordinary shares on a one-for-one-basis at the same time in the amount of US$1.27 billion (equivalent to RMB8.20 billion), which includes accretion from January 1, 2021 to February 9, 2021, the date of the Company's initial public offering. The issued and outstanding 95,140,749 pre-offering ordinary shares were converted to Class A ordinary shares on a one-for-one-basis at the same time, and the remaining 25,649,839 pre-offering ordinary shares were converted to Class B ordinary shares.

The Company's redeemable convertible preferred shares activities consist of the following:

RMB	Series A	Series B	Series C	Series D	Series E	Series F	Total
Carrying amount as of January 1, 2021	**380,664**	**404,394**	**713,141**	**268,573**	**331,157**	**691,472**	**2,789,401**
Issuance of Series F Preferred Shares	-	-	-	-	-	257,198	257,198
Accretion of Redeemable Convertible Preferred Shares	588,758	615,764	1,379,371	379,571	610,099	1,305,090	4,878,653
Foreign currency translation adjustment	(7,001)	(7,391)	213,120	(4,768)	98,368	(14,146)	278,182
Balance as of February 9, 2021	962,421	1,012,767	2,305,632	643,376	1,039,624	2,239,614	8,203,434
Conversion to Class A Ordinary Shares	(962,421)	(1,012,767)	(2,305,632)	(643,376)	(1,039,624)	(2,239,614)	(8,203,434)
Balance as of December 31, 2021	-	-	-	-	-	-	-

The rights, preferences and privileges of the Redeemable Convertible Preferred Shares are as follows:

Redemption Rights

Prior to the issuance of Series C Preferred Shares in June 2016, Series A and B Preferred Shares shall be redeemable at the option of holders of the Series A and B Preferred Shares, at any time after the earliest of (i) the fifth (5th) anniversary of the Series A Preferred Shares issue date, if a Qualified Initial Public Offering ("Qualified IPO"), has not been consummated by then, (ii) the time when any material adverse change in the regulatory environment occurs, under which circumstance the captive structure of the Group becomes, has become, or is threaten to become invalid, illegal or unenforceable, or (iii) the date that there is a material breach by the Company or by any direct or indirect owners of the ordinary shares of any of their respective representations, warranties, or undertakings under the transaction documents.

Upon the issuance of Series C Preferred Shares in June 2016, the redemption term of Series A and Series B Preferred Shares were modified to be the same as Series C Preferred Shares, in which they were redeemable at the option of holders of these preferred shares: at any time after the fourth (4th) anniversary of the issuance date of Series C Preferred Shares, if the Company has not consummated a Qualified IPO by then, which extends the redemption start date of Series A and B Preferred Shares was extended from July 30, 2019 to June 9, 2020 to be in line with the optional redemption date of Series C Preferred Shares.

Upon the issuance of Series D Preferred Shares in February 2018, the redemption term of Series A, B and C Preferred Shares were modified to be the same as Series D Preferred Shares, in which they were redeemable at the option of holders of these preferred shares: at any time after the third (3rd) anniversary of the issuance date of Series D Preferred Shares, if the Company has not consummated a Qualified IPO by then, which extends the redemption start date of Series A, B and C Preferred Shares was extended from June 9, 2020 to March 18, 2021 to be in line with the optional redemption date of Series D Preferred Shares.

Upon the issuance of Series E Preferred Shares in August 2019, the redemption term of Series A, B, C and D Preferred Shares were modified to be the same as Series E Preferred Shares, in which they were redeemable at the option of holders of these preferred shares: at any time after the third anniversary of the issuance date of Series E Preferred Shares, if the Company has not consummated a Qualified IPO by then, which extends the redemption start date of Series A, B,C and D Preferred Shares was extended from March 18, 2021 to August 27, 2022 to be in line with the optional redemption date of Series E Preferred Shares. The redemption term of Series F Preferred Shares remained the same as Series E Preferred Shares.

The redemption price equals to the greater of (1) 100% of the Preferred Shares issue price with an 8% compound per annum, plus any declared but unpaid dividends on such Preferred Shares, and (2) the fair market value of the relevant Preferred Shares. The fair value of the relevant Preferred Shares was determined by management with the assistance from a valuation firm using management's estimates and assumptions.

The Company recognized changes in the redemption value immediately as they occur and adjust the carrying value of the Redeemable Convertible Preferred Shares to equal the redemption value at the end of each reporting period, as if it were also the redemption date for the Redeemable Convertible Preferred Shares.

The Company determines whether an amendment or modification to the terms of Series A, B, C and D Preferred Shares represents an extinguishment based on a fair value approach. If the fair value of the preferred shares immediately before and after the amendment is significantly different (by more than 10%), the amendment or modification represents an extinguishment. The Company has determined that the amendment to the terms of Series A, B, C and D Preferred Shares did not represent an extinguishment, and therefore modification accounting was applied by analogy to the modification guidance contained in ASC 718 20, Compensation—Stock Compensation. The Company accounts for modifications that result in an increase to the fair value of the modified preferred shares as a deemed dividend reconciling net loss to net loss attributable to ordinary shareholders as there is a transfer of value from the ordinary shareholders to the preferred shareholders. Modifications that result in a decrease in the fair value of the modified preferred shares were not recognized. Upon the issuance of Series E Preferred Shares in August 2019, the increase in fair value of Series C Preferred Shares and Series D Preferred Shares at the modification date resulting from extension of optional redemption date were US$974 (equivalent to RMB6,716) and US$806 (equivalent to RMB5,562), respectively. The inputs for appraising the fair value of the modified preferred shares are the redemption term, volatility, dividend rate and risk-free interest rate.

Conversion Rights

Each preferred share shall be convertible, at the option of the holder, at any time after the date of issuance of such preferred shares according to a conversion ratio, subject to adjustments for dilution, including but not limited to share splits, share combination, share dividends and distribution and certain other events.

Each preferred share shall automatically be converted into ordinary shares, at the applicable then-effective conversion price upon the earlier of (a) the closing of a Qualified IPO, or (b) the date specified by written consent or agreement of the holders of a majority of each round of Preferred Shares with respect to each round of Preferred Shares.

Voting Rights

Each preferred share shall be entitled to that number of votes corresponding to the number of ordinary shares on an as converted basis. Preferred shares shall vote separately as a class with respect to certain specified matters. Otherwise, the holders of preferred shares and ordinary shares shall vote together as a single class.

Dividend Rights

Preferred shares holders are entitled to receive dividends at the rate of 8% of the applicable preferred shares issue price, payable out of funds or assets legally available. Such dividends shall be payable only if declared by the Board of Directors and shall be non-cumulative.

The Company is not obliged to declare, pay, set aside or make such dividends to preferred shares holders except for (i) a distribution made in liquidation; (ii) applicable exempted distribution, including (a) the purchase, repurchase or redemption of ordinary shares by the Company from terminated employees, officers or consultants in accordance with the ESOP or the share restriction agreement, or pursuant to the exercise of a contractual right of first refusal held by the Company, if any, or pursuant to written contractual arrangements with the Company approved by the Board, and (b) the purchase, repurchase or redemption of the Preferred Shares;(iii) all declared but unpaid dividends on the preferred shares have been paid in full, and (iv) a dividend or distribution is likewise declared, paid, set aside or made, respectively, at the same time with respect to each issued and outstanding preferred share such that the dividend or distribution declared, paid, set aside or made to the holder shall be equal to the dividend or distribution that such holder would have received if such preferred share had been converted into ordinary Shares immediately prior to the record date for such dividend or distribution, or if no such record date is established, the date such dividend or distribution is made, and if such share then participated in and the holder received such dividend or distribution.

Liquidation Preferences

In the event of any liquidation including deemed liquidation, dissolution or winding up of the Company, holders of the preferred shares shall be entitled to receive a per share amount equal to 100% of the original preferred shares issue price with an 8% compound per annum, plus any declared but unpaid dividends on such preferred shares, in the sequence of Series F Preferred Shares, Series E Preferred Shares, Series D Preferred Shares, Series C Preferred Shares, Series B Preferred Shares and Series A Preferred Shares. After such liquidation amounts have been paid in full, any remaining funds or assets of the Company legally available for distribution to shareholders shall be ratably distributed among the holders of the Preferred Shares, on an as-converted basis, together with the holders of the ordinary shares.

The Company classified all series of Redeemable Convertible Preferred Shares as mezzanine equity in the consolidated balance sheets since they are contingently redeemable at the option of the holders after a specified time period.

The Company evaluated the embedded conversion option in all series preferred shares to determine if the embedded conversion option require bifurcation and accounting for as a derivative. The Company concluded the embedded conversion option did not need to be bifurcated pursuant to ASC 815 *Derivatives and Hedging*. The Company also determined that there was no beneficial conversion feature attributable to all series preferred shares because the initial effective conversion prices of these all series preferred share were higher than the fair value of the Company's ordinary shares at the relevant commitment dates. The fair value of the Company's ordinary shares on the commitment date was estimated by management, which involves significant assumptions that might not be observable in the market, and a number of complex and subjective variables, including discount rate, risk-free interest rate and subjective judgments regarding the Company's projected financial and operating results, its unique business risks, the liquidity of its ordinary shares and its operating history and prospects at the time the grants are made. Except for the warrant liability with proceeds allocated from the issuance of the debt instrument, the Company also determined there was no other embedded features to be separated from all series preferred shares.

15. SHARE-BASED COMPENSATION

Restricted ordinary shares

On August 28, 2019, 8,154,893 ordinary shares held by Cloopen Co., Ltd., which is wholly owned by Mr. Sun Changxun, became restricted with a graded vesting as to 1/3 of the restricted ordinary shares vest on the first anniversary of August 28, 2019 and with the remaining 2/3 of the restricted ordinary shares vesting evenly over the next two years. Such restricted shares are also subject to immediate vesting upon the Company's completion of a qualified IPO. The fair value of the shares of US$9,827 are amortized to consolidated statements of comprehensive loss over the vesting term of three years.

In January 2021, the Company adopted a second share option Plan ("2021 Share Plan"), under which the maximum aggregate number of Class A ordinary shares that may be issued pursuant to all awards under such plan is 15,144,221. The ordinary shares became restricted with a vesting schedule of four years. Under the 2021 Share Plan, 5,898,500 ordinary shares were granted to employees for the year 2021.

In March 2021, the Company offered certain management members of EliteCRM 2,411,177 ordinary shares, which become restricted with a graded vesting as to 1/2 of the restricted ordinary shares vest on the first anniversary of March 22, 2022 and with the remaining 1/2 of the restricted ordinary shares vesting on March 22, 2023. The fair value of the shares of US$23,883 are amortized to consolidated statements of comprehensive loss over the vesting term of two years.

A summary of the Company's restricted ordinary shares held by the Company's employees for the years ended December 31, 2022 and 2023 is presented below:

	Number of shares	Weighted average grant date fair value
Unvested as of January 1, 2022	**8,014,677**	**4.71**
Granted	3,822,089	0.66
Vested	(1,755,548)	7.45
Forfeited	(5,104,733)	2.21
Unvested as of December 31, 2022	**4,976,485**	**3.20**
Granted	860,000	0.29
Vested	(2,001,838)	1.07
Forfeited	(1,031,670)	1.04
Unvested as of December 31, 2023	**2,802,977**	**4.62**

Total compensation expenses recognized for restricted ordinary shares for the years ended December 31, 2021, 2022 and 2023 were allocated to the following expense items:

	Year ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Research and development expenses	8,618	(5,158)	654
General and administrative expenses	112,218	59,133	10,868
Selling and marketing expenses	4,191	1,275	1,851
Total restricted ordinary shares compensation expenses	**125,027**	**55,250**	**13,373**

In addition to the restricted ordinary shares held by the Company's employees, 1,700,000 ordinary shares were held by a non-employee founder, which were restricted and have been vested immediately upon the completion of the Company's initial public offering on February 9, 2021. The fair value of 1,700,000 restricted ordinary shares on grant date is US$111.

As of December 31, 2023, total unrecognized compensation expense related to restricted ordinary shares were RMB6,212 until 2026. The restricted ordinary shares are expected to be recognized over a weighted average period of approximately 2.41 years.

Shares Options

In January 2017, the Company's shareholders and board of directors approved a share option Plan ("2016 Share Plan"), under which a maximum aggregate number of 21,119,408 ordinary shares may be issued pursuant to all awards to be granted. In September 2018, the Company's shareholders and board of directors approved that the maximum aggregate number of ordinary shares may be issued under 2016 Share Plan shall be modified to 25,838,502 pre-offering Class A Ordinary Shares. In March 2020 and July 2020, the Company's shareholders and board of directors approved that the maximum aggregate number of ordinary shares may be issued under 2016 Share Plan shall be modified to 26,419,211 and 29,525,465 pre-offering Class A Ordinary Shares, respectively.

In addition, the options may be exercised with respect to 25% to 50% of the shares subject to the options as of the first anniversary of the vesting commencement date with the remaining shares subject to the options shall become vested in equal monthly instalments over a period of 12-36 months thereafter. Share options were granted with exercise prices ranging from US$0.01 to US$0.38 and will expire 10 years from the grant dates.

Under the 2016 Share Plan, no share options w granted to employees, officers, and board members for the years ended December 31, 2022 and 2023, respectively. A summary of the share options activities for the years ended December 31, 2022 and 2023 is presented below:

	Number of shares	Weighted average exercise price	Weighted remaining contractual years	Aggregate intrinsic value
		US$		US$
Outstanding as of January 1, 2022	**22,069,770**	**0.25**		
Forfeited	(755,960)	0.34		
Exercised	(3,718,773)	0.25		
Outstanding as of December 31, 2022	**17,595,037**	**0.24**		
Forfeited	(721,728)	0.15		
Exercised	(3,731,723)	0.17		3,881
Outstanding as of December 31, 2023	**13,141,586**	**0.26**		
Vested and expected to vest as of December 31, 2023	**13,141,586**	**0.26**	**3.91**	**26,256**
Exercisable as of December 31, 2023	**12,255,508**	**0.23**	**2.60**	**25,994**

The fair values of the options granted are estimated on the dates of grant using the binomial option pricing model with the following assumptions used:

Grant dates:	**2021**
Risk free rate of return	1.06%-1.57%
Volatility	48.76%-49.21%
Expected dividend yield	0%
Exercise multiple	2.20
Fair value of underlying ordinary share	US$1.45- US$16.70
Expiration terms	10 years

The expected volatility was estimated based on the historical volatility of comparable peer public companies with a time horizon close to the expected term of the Company's options. The risk-free interest rate was estimated based on the yield to maturity of U.S. treasury bonds denominated in US$ for a term consistent with the expected term of the Company's options in effect at the option valuation date. Expected dividend yield is zero as the Company does not anticipate any dividend payments in the foreseeable future. The expected exercise multiple was estimated as the average ratio of the stock price to the exercise price of when employees would decide to voluntarily exercise their vested options. As the Company did not have sufficient information of past employee exercise history, it has considered the statistics on exercise patterns of employees compiled by Huddart and Lang in Huddart, S., and M. Lang. 1996. "Employee Stock Option Exercises: An Empirical Analysis." *Journal of Accounting and Economics*, vol. 21, no. 1 (February), pages 5-43, which are widely adopted by valuers as authoritative guidance on expected exercise multiples. Expected term is the contract life of the option.

The weighted average grant date fair value of the share options granted during the year ended December 31 2021 was US$6.19, respectively. Compensation expense recognized for share options during the years ended December 31,2021, 2022 and 2023 is allocated to the following expense items:

	Year ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Cost of revenues	507	(621)	3
Research and development expenses	9,946	(795)	1,006
Selling and marketing expenses	16,960	(765)	6,068
General and administrative expenses	109,530	54,393	1,788
Total share option compensation expenses	**136,943**	**52,212**	**8,865**

As of December 31, 2023, RMB1,813 of total unrecognized compensation expense related to share options that are expected to be recognized until 2026. The share options are expected to be recognized over a weighted average period of approximately 1.12 years.

16. FAIR VALUE MEASUREMENT

The following tables present the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2021, 2022 and 2023 respectively:

	December 31, 2021			
RMB	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets				
Short-term investments	-	-	127,514	127,514

	December 31, 2022			
RMB	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets				
Short-term investments	-	-	412,031	412,031

	December 31, 2023			
RMB	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets				
Short-term investments	-	-	422,559	422,559

The table below reflects the reconciliation from the opening balances to the closing balances for recurring fair value measurements of the fair value hierarchy for the years ended December 31, 2021, 2022 and 2023:

				Year ended December 31, 2021			
				Gain or Losses			
RMB	January 1, 2021	Purchase/ Issue	Sell / Exercise	Included in earnings	Included in other comprehensive loss	Foreign currency translation adjustment included in other comprehensive loss	December 31, 2021
Assets							
Short-term investments	-	127,727	-	-	-	(213)	127,514
Liabilities							
Warrants Liabilities, current portion (Note 13)	37,903	-	37,531	-	-	(372)	-
Non-current warrants Liabilities (Note 13)	9,650	-	38,841	29,011	-	180	-

				Year ended December 31, 2022			
				Gain or Losses			
RMB	January 1, 2022	Purchase/ Issue	Sell / Exercise	Included in earnings	Included in other comprehensive loss	Foreign currency translation adjustment included in other comprehensive loss	December 31, 2022
Assets							
Short term investments	127,514	357,142	70,306	-	-	(2,320)	412,031

				Year ended December 31, 2023			
				Gain or Losses			
RMB	January 1, 2023	Purchase/ Issue	Sell / Exercise	Included in earnings	Included in other comprehensive loss	Foreign currency translation adjustment included in other comprehensive loss	December 31, 2023
Assets							
Short term investments	412,031	28,187	24,663	563	-	6,441	422,559

17. INCOME TAX

a) Income tax

The Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

No stamp duty is payable in respect of the issue of the shares or on an instrument of transfer in respect of a share.

Hong Kong S.A.R.

Under the current Hong Kong S.A.R. Inland Revenue Ordinance, the Company's Hong Kong S.A.R. subsidiary is subject to Hong Kong S.A.R. profits tax at the rate of 16.5% on its taxable income generated from the operations in Hong Kong S.A.R. Payments of dividends by the Hong Kong S.A.R. subsidiary to the Company is not subject to withholding tax in Hong Kong S.A.R. A two-tiered profits tax rates regime was introduced in 2018 where the first HK$2 million of assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) whilst the remaining profits will continue to be taxed at 16.5%. There is an anti-fragmentation measure where each group will have to nominate only one company in the group to benefit from the progressive rates. No provision for Hong Kong profits tax has been made in the financial statements as the subsidiary in Hong Kong has no assessable profits for the years ended December 31, 2021, 2022 and 2023.

Japan

The Company's Japan subsidiary, Cloopen Japan Co., Ltd., is subject to Japanese corporation tax (including national corporation tax, local enterprise tax and other income-based taxes) on its worldwide income. The statutory effective tax rate is approximately 30% to 34%, depending on the size of the company.

Dividends paid by a Japanese company are generally subject to Japanese withholding tax. If the Japanese company paying dividends is a non-listed company and the payee is a non-resident of Japan, the rate of such withholding tax is 20.42% under Japanese Tax law. The Company enjoys preferential withholding tax rate of 10% under Japan-China tax treaty.

The PRC

The Group's PRC subsidiaries, the VIE, and the VIE's subsidiaries are subject to the PRC Corporate Income Tax Law ("CIT Law") and are taxed at the statutory income tax rate of 25%, unless otherwise specified.

In March 2007, a new enterprise income tax law (the "New EIT Law") in the PRC was enacted which became effective on January 1, 2008. The New EIT Law applies a unified 25% enterprise income tax ("EIT") rate to both foreign invested enterprises and domestic enterprises, unless a preferential EIT rate is otherwise stipulated. On April 14, 2008, relevant governmental regulatory authorities released further qualification criteria, application procedures and assessment processes for meeting the High and New Technology Enterprise ("HNTE") status under the New EIT Law which would entitle qualified and approved entities to a favorable EIT tax rate of 15%. In April 2009 and June 2017, the State Administration for Taxation ("SAT") issued Circular Guoshuihan (2009) No. 203 ("Circular 203") and SAT Announcement (2017) No. 24 ("Announcement 24") stipulating that the entities which qualified for the HNTE status should apply with in-charge tax authorities to enjoy the reduced EIT rate of 15% provided under the New EIT Law starting from the year when the new HNTE certificate becomes effective. The HNTE certificate is effective for a period of three years and can be renewed for another three years. Subsequently, an entity needs to re-apply for the HNTE status in order to be able to enjoy the preferential tax rate of 15%.

Ronglian 7Moor obtained the HNTE certificate in December 2016, and subsequently renewed the HNTE certificate in October 2019 and November 2022. Thus, Ronglian 7Moor is entitled to a preferential tax rate of 15% from 2016 to 2024.

Beijing Baiyi High-Tech Information Technology Co., Ltd., a subsidiary of the Company, obtained the HNTE certificate in October 2017, which expired in October 2020. In October 2020, Baiyi renewed its HNTE status which entitles it to the preferential income tax rate of 15% from 2020 to 2022. Due to business scope change, Baiyi has no plan to renew the HNTE certificates and could not entitle to the preferential tax rate of 15% after the HNTE certificate became void from January 1, 2023.

Beijing Yunrong Tianxia Technology Co., Ltd., a subsidiary of the Company, obtained the HNTE certificates in December 2017 and subsequently renewed the HNTE Certificate in October 2020 and October 2023. Thus, it was entitled to the preferential tax rate of 15% from 2017 to 2025.

Ronglian Yitong, a subsidiary of the Company, obtained the HNTE certificate in September 2015 and subsequently renewed the HNTE certificate in September 2018 and December 2021. Thus, it was entitled to the preferential tax rate of 15% from 2015 to 2023.

Beijing Ronglian Huitong Technology Co., Ltd. and Shenzhen Zhongtian Wangjing Technology Co., Ltd., subsidiaries of the Company, obtained the HNTE certificates in December 2019. Thus, they are entitled to the preferential tax rate of 15% from 2019 to 2021. In December 2021, Beijing Ronglian Huitong Technology Co., Ltd., renewed its HNTE status which entitled it to the preferential income tax rate of 15% in 2022. In August 2023, Beijing Ronglian Huitong Technology Co., Ltd., renewed its HNTE status which entitled it to the preferential income tax rate of 15% from 2023 to 2024. In December 2022, Shenzhen Zhongtian Wangjing Technology Co., Ltd., renewed its HNTE status which entitled it to the preferential income tax rate of 15% from 2022 to 2024.

Zhuge Yunyou, a subsidiary of the Company, obtained the HNTE certificate in October 2021. Thus, it was entitled to the preferential tax rate of 15% from 2021 to 2023.

If any entities fail to maintain the HNTE qualification under the New EIT Law, they will no longer qualify for the preferential tax rate of 15%.

The CIT Law also provides that an enterprise established under the laws of a foreign country or region but whose “de facto management body” is located in the PRC be treated as a resident enterprise for the PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the CIT Law define the location of the “de facto management body” as “the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, property, etc., of a non-PRC company is located.” Based on a review of surrounding facts and circumstances, the Group does not believe that it is likely that its operations outside the PRC should be considered a resident enterprise for PRC tax purposes.

The components of loss before income taxes are as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
The Cayman Islands*	(453,788)	(345,945)	(69,414)
Hong Kong S.A.R*	19,023	(34,946)	3,397
Japan*	(3,159)	(27,883)	(19,507)
The PRC, excluding Hong Kong S.A.R.	(455,408)	(567,467)	(327,414)
Total	**(893,332)**	**(976,241)**	**(412,938)**

*Non-PRC entities not subject to income tax

Withholding tax on undistributed dividends

The CIT law also imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise ("FIE") to its immediate holding company outside of Mainland China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within Mainland China or if the received dividends have no connection with the establishment or place of such immediate holding company within Mainland China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. The Cayman Islands, where the Company is incorporated, does not have such tax treaty with the PRC. According to the arrangement between Mainland China and Hong Kong S.A.R. on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in Mainland China to its immediate holding company in Hong Kong S.A.R. will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). The Group did not record any dividend withholding tax, as the Group's PRC entities, have no retained earnings in any of the years presented.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on interest income from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group applies a preferential withholding tax rate of 7% due to a tax treaty between Mainland China and the jurisdiction of the foreign investors.

Income tax expense recognized in the consolidated statements of comprehensive loss consists of the following:

	Year ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Current income tax expense	5,998	8,464	(135)
Deferred income tax benefit (expense)	5,122	(8,806)	(429)
Total income tax expense	**11,120**	**(342)**	**(564)**

Reconciliation of the differences between the income tax benefit computed based on the PRC statutory income tax rate and the Group's income tax expense for the years ended December 31, 2021, 2022 and 2023 are as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Computed expected income tax benefit	**(223,333)**	**(244,060)**	**(103,234)**
Non-deductible expenses / taxable deemed income			
Share-based compensation	66,705	26,865	5,560
Non-deductible entertainment	940	1,240	1,264
Uninvoiced expenditures	-	-	-
Taxable deemed interest income from inter-company interest-free loans	6,659	2,659	1,828
Non-deductible IPO fees	824	-	-
Employee commercial Insurance	372	291	208
Effect of withholding tax at 7% on the interest income of a PRC subsidiary	1,144	2,121	-
Selling Commission	2,072	1,003	1,057
Others	63	109	167
Non-PRC entities not subject to income tax	47,479	66,530	16,571
Effect of income tax rate differences in jurisdictions other than the PRC	(2,334)	2,964	(282)
Over provision in respect of prior years	4,883	203	36
NOL expired	8,635	38,871	34,921
Amortization of intangible assets formed by business combinations	(536)	(8,806)	(429)
Others	813	1,701	(2,759)
Changes in valuation allowance	96,734	107,967	44,528
Actual income tax expense	**11,120**	**(342)**	**(564)**

b) Deferred income tax assets

	December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Net operating loss carry forwards	280,865	349,681	388,065
Un-invoiced expenditures	9,867	9,867	9,867
Accounts receivable and contract assets allowance	16,486	22,172	26,561
Other equity investments impairment	11,412	12,777	10,278
Goodwill impairment	38,690	55,534	55,534
Share of losses of equity method investments	149	641	980
Others	1	2,050	3,199
Less: Valuation allowance	(335,339)	(443,306)	(487,834)
Total deferred income tax assets, net	**22,131**	**9,416**	**6,650**
Intangible assets	(8,883)	(1,285)	(857)
Equity method investment on the gain from the disposal of a subsidiary	(2,766)	(2,766)	-
Change in fair value of other equity investments	(19,365)	(6,650)	(6,650)
Total gross deferred income tax liabilities	**(31,014)**	**(10,701)**	**(7,507)**
Net deferred income tax assets	**(8,883)**	**(1,285)**	**(857)**

As of December 31, 2023, the Group had net operating loss carry forwards of approximately RMB2,067 million attributable to the PRC and Hong Kong S.A.R. subsidiaries, the VIE, and the VIE's subsidiaries. The loss carried forward by the PRC companies will expire during the period from year 2024 to year 2033. As of December 31, 2023, the Group had tax loss carry forwards for PRC and Hong Kong S.A.R. income tax purpose of RMB 2,067,227 which will expire if unused by the following year-end:

Year ending December 31,	**RMB**
2024	48,074
2025	49,360
2026	237,091
2027	333,338
2028	215,567
Then thereafter	1,183,797
Total	**2,067,227**

A valuation allowance is provided against deferred income tax assets when the Group determines that it is more likely than not that the deferred income tax assets will not be utilized in the foreseeable future. In making such determination, the Group evaluates a variety of factors including the Group's operating history, accumulated deficit, existence of taxable temporary differences and reversal periods.

As of December 31, 2023, the valuation allowance of RMB 487,834 was related to the deferred income tax assets of the PRC and Hong Kong S.A.R. entities which were in loss position. As of December 31, 2023, management believes it is more likely than not that the Group will realize the deferred income tax assets, net of the valuation allowance.

Changes in valuation allowance are as follows:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB	**RMB**	**RMB**
Balance at the beginning of the year	(239,007)	(335,339)	(443,306)
Additions	(96,734)	(107,967)	(44,528)
Decrease upon disposal of a subsidiary	402	-	-
Balance at the end of the year	**(335,339)**	**(443,306)**	**(487,834)**

According to the PRC Tax Administration and Collection Law, the statute of limitation is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitation is extended to five years under special circumstances where the underpayment of taxes is more than RMB100. In the case of transfer pricing issues, the statute of limitation is 10 years. There is no statute of limitation in the case of tax evasion. The income tax returns of the Company's PRC subsidiary, the VIE and the VIE's subsidiaries for the years from 2018 to 2023 are open to examination by the PRC tax authorities.

18. NET LOSS PER SHARE

The following table sets forth the basic and diluted net loss per ordinary share computation and provides a reconciliation of the numerator and denominator for the years presented:

	Year ended December 31,	
	2022	2023
	RMB	RMB
Numerator:		
Net loss	(974,898)	(409,722)
Numerator for basic and diluted net loss per ordinary share calculation	**(974,898)**	**(409,722)**
Denominator:		
Weighted average number of Class A and Class B ordinary shares	321,885,046	321,945,825
Denominator for basic and diluted net loss per ordinary share calculation	**321,885,046**	**321,945,825**
Net loss per ordinary share attributable to pre-offering Class A and pre-offering Class B ordinary shareholders		
—Basic and diluted	(3.03)	(1.27)

Securities that could potentially dilute basic net loss per ordinary share in the future that were not included in the computation of diluted net loss per ordinary share because to do so would have been antidilutive for the years ended December 31, 2022 and 2023 are as follow:

	Year ended December 31,	
	2022	2023
Share options	17,595,037	13,141,586
Restricted ordinary shares	4,976,485	2,802,977

19. REVENUE INFORMATION

Revenues

The Group's revenues are disaggregated by major products/services lines, timing of revenue recognition and primary geographical markets (based on the location of customers) as follow:

Major products/services lines	**Year ended December 31,**		
	2021	**2022**	**2023**
	RMB	**RMB**	**RMB**
CPaaS			
- Text messaging	235,842	119,416	136,654
- Voice calls	56,892	25,953	25,958
- Others (Note2)	56,136	46,796	32,799
Cloud-based CC	276,126	310,765	256,961
Cloud-based UC&C	125,358	89,350	117,554
Other services	2,334	1,354	1,098
Revenues	**752,688**	**593,634**	**571,024**

Note 1: The gross amount of revenue from services as an agent was RMB166 million, RMB89 million and RMB69 million for the years ended December 31, 2021, 2022 and 2023. The net amount of revenue from services as an agent was RMB41 million, RMB14 million and RMB16 million for the years ended December 31, 2021, 2022 and 2023 respectively.

Note 2: Others mainly include CPaaS revenue from the customers' use of the Group's Internet of Things (IoT) and jointly-operated CPaaS platforms.

Timing of revenue recognition	**Year ended December 31,**		
	2021	**2022**	**2023**
	RMB	**RMB**	**RMB**
Point in time	476,019	381,163	331,220
Over time	276,669	212,471	239,804
Revenues	**752,688**	**593,634**	**571,024**

Primary geographical markets (based on the location of customers)	**Year ended December 31,**		
	2021	**2022**	**2023**
	RMB	**RMB**	**RMB**
The PRC	711,932	556,663	539,867
Japan	40,756	36,971	31,157
Revenues	**752,688**	**593,634**	**571,024**

Revenue based on a gross basis/ net basis	**Year ended December 31,**		
	2021	**2022**	**2023**
	RMB	**RMB**	**RMB**
On a gross basis	689,667	579,629	555,409
On a net basis	63,021	14,005	15,615
Revenues	**752,688**	**593,634**	**571,024**

Contract Assets and Contract Liabilities

The Group's contract assets and contract liabilities as of December 31, 2021, 2022 and 2023 are as follows:

	December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Contract assets	21,118	50,838	26,107
Contract liabilities	285,936	359,801	363,228

The contract assets primarily relate to the Group's rights to consideration for work performed but not invoiced at the reporting date on Cloud-based UC&C projects and Cloud-based CC projects. The contract assets are transferred to receivables when the rights to consideration become unconditional.

The contract liabilities primarily related to the advanced consideration received from customers in relation to the subsequent provision of Cloud-based CC services and CPaaS solutions. The contract liabilities will be recognized as revenue when the Group fulfils its performance obligations to transfer the promised products or services to customers, which is expected to occur within one year.

Changes in the contract assets balances for the years ended December 31, 2021, 2022 and 2023 are as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Gross amount at the beginning of the year	25,075	31,722	63,144
Increases due to revenue recognized during the year	51,712	50,825	27,787
Transfers to accounts receivable during the year	(45,065)	(19,403)	(54,462)
Gross amount at the end of the year	**31,722**	**63,144**	36,469
Allowance for contract assets	(10,604)	-	-
Allowance for credit loss of contract assets	-	(12,306)	(10,362)
Contract assets, net	**21,118**	**50,838**	**26,107**

The movement of the allowance for contract assets is as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Balance at the beginning of the year	6,733	10,604	12,306
Additions charged to bad debt expense	3,871	-	-
Additions charged to credit loss	-	1,702	(1,944)
Balance at the end of the year	**10,604**	**12,306**	**10,362**

Changes in the contract liabilities balances for the years ended December 31, 2021, 2022 and 2023 are as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Balance at the beginning of the year	177,376	285,936	359,801
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	(74,907)	(96,082)	(92,339)
Increase due to cash received, excluding amount recognized as revenue during the year	183,467	169,947	95,766
Balance at the end of the year	**285,936**	**359,801**	**363,228**

The amounts of revenue recognized for the years ended December 31, 2021, 2022 and 2023 that were included in the contract liabilities balances at the beginning of the year are RMB74,907, RMB96,082 and RMB92,339, respectively.

The Company has elected the practical expedient in ASC 606-10-50-14(a) to not disclose the information about remaining performance obligations which are part of contracts that have an original expected duration of one year or less.

20. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

From time to time, the Group is involved in claims and legal proceedings that arise in the ordinary course of business. The Group records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Based on currently available information, the Group has recorded accrued liabilities for class action of US$12,000 (equivalent to RMB83,575) in this regard as of December 31, 2022. Subsequent legal proceedings see "Note 22 Subsequent events – U.S Class Action".

Purchase Commitment

The Group's purchase commitments primarily relate to purchase of software and equipment. Total purchase commitments contracted but not yet reflected in the consolidated financial statements as of December 31, 2023 were as follows:

Year ended December 31,	**RMB**
2024	5,703
2025 and thereafter	856

21. RELATED PARTY TRANSACTIONS

(i) Related Parties

Name of Related Parties	Relationship with the Company
Beijing Puhui Sizhong Technology Limited Company	A company controlled by Mr. Changxun Sun
Changxun Sun, Zhiqiang Xu, Muchao Deng	Three management employees
Beijing Jingu Shitong Technology Co., Ltd	One of the Company's investment affiliates and the Company owns 55.38% equity interest and has significant influence
Hi Sun Technology (China) Limited	A company that controls Main Access Limited, an entity that is a shareholder of the Company
Shanghai Keshen Information Technology Co., Ltd.	One of the Company's investment affiliates and the Company owns 20% equity interest and has significant influence since December 2021
Beijing Lianxinzhihui Technology Co., Ltd.	One of the Company's investment affiliates and the Company owns 15.93% equity interest and has significant influence
Shenzhen City Yunjitong Technology Co., Ltd	One of the Company's investment affiliates and the Company owns 18.52% equity interest and has significant influence
Shenyang Yunrongxin Technology Co., Ltd	One of the Company's investment affiliates and the Company owns 20% equity interest and has significant influence

(ii) The Company had the following related party transactions for the years ended December 31, 2021, 2022 and 2023:

	Note	Year ended December 31,		
		2021	2022	2023
		RMB	RMB	RMB
Interest free loans collected from related parties:				
-Three management employees	(a)	900	-	-
Beijing Jingu Shitong Technology Co., Ltd	(a)	1,400	-	-
Cloud-based UC&C services provided to a related party:				
-Hi Sun Technology (China) Limited	(b)	5,158	-	-
-Shanghai Keshen Information Technology Co., Ltd.	(b)	-	34	6
CPaaS services provided to related parties:				
-Beijing Lianxinzhihui Technology Co., Ltd.	(c)	200	-	-
-Shenyang Yunrongxin Technology Co., Ltd	(c)	532	1,341	913
-Shenzhen City Yunjitong Technology Co., Ltd	(c)	5	2	-
-Beijing Jingu Shitong Technology Co., Ltd	(c)	99	-	-
Project development services purchased from related parties:				
-Shenyang Yunrongxin Technology Co., Ltd	(d)	-	-	321
- Shanghai Keshen Information Technology Co., Ltd.	(d)	-	-	3,302
Research and development services purchased from a related party:				
-Hi Sun Technology (China) Limited	(d)	1,974	-	-

(a) Interest free loans provided to and collected from related parties

As of December 31, 2020, the amounts due from the three management employees were RMB900. The Company received repayments of RMB900 in cash from the three management employees of the Group in January 2021.

For the year ended December 31, 2020, the Company provided interest-free loans of RMB1,400 to Beijing Jingu Shitong Technology Co., Ltd. ("Jingu"). As of December 31, 2020, the amount due from Jingu was RMB1,400. The Company received RMB1,400 in cash from Jingu in January 2021.

(b) Cloud-based UC&C services provided to a related party

The Company provided Cloud-based UC&C services to subsidiaries of Hi Sun Technology (China) Limited ("Hi Sun Group"), a company which controls Main Access Limited, one of the Company's shareholders. Revenues of RMB5,158, nil and nil were recorded in the consolidated statements of comprehensive loss for the years ended December 31, 2021 ,2022 and 2023, respectively.

The Company provided Cloud-based UC&C services to subsidiaries of Shanghai Keshen Information Technology Co., Ltd ("Shanghai Keshen"). Revenues of nil, RMB34 and RMB6 were recorded in the consolidated statements of comprehensive loss for the year ended December 31, 2021,2022 and 2023. Amounts due from Shanghai Keshen were nil and RMB4 as of December 31, 2022 and 2023, which are included in accounts receivable - related parties, net on the consolidated balance sheets. Amounts due to Shanghai Keshen were RMB53 and RMB51, which were deposits as of December 31, 2022 and 2023.

(c) CPaaS services provided to related parties

The Company provided CPaaS services to Lianxinzhihui. Revenues of RMB200, nil, and nil were recorded in the consolidated statements of comprehensive loss for the years ended December 31, 2021, 2022 and 2023, respectively.

The Company provided CPaaS services to Shenyang Yunrongxin Technology Co., Ltd ("Shenyang Yunrongxin"). Revenues of RMB532, RMB1,341 and RMB913 were recorded in the consolidated statements of comprehensive loss for the years ended December 31, 2021, 2022 and 2023, respectively. Amounts due from Shenyang Yunrongxin were RMB99 and RMB700 as of December 31, 2022 and 2023, which are included in accounts receivable - related parties, net on the consolidated balance sheets.

The Company provided CPaaS services to Shenzhen City Yunjitong Technology Co., Ltd ("Shenzhen City Yunjitong"). Revenues of RMB5, RMB2 and nil were recorded in the consolidated statements of comprehensive loss for the years ended December 31, 2021, 2022 and 2023, respectively.

The Company provided CPaaS services to Jingu. Revenues of RMB 99, nil, and nil were recorded in the consolidated statements of comprehensive loss for the years ended December 31, 2021, 2022 and 2023, respectively.

(d) Outsourcing services purchased from related parties

The Company research and development services from Hi Sun Group, which is included in research and development expenses of RMB1,974, nil, and nil for the years ended December 31, 2021,2022 and 2023, respectively.

The Company purchased from Shenyang Yunrongxin project development services, which is included in cost of revenues of nil, nil and RMB321, for the years ended December 31, 2021, 2022 and 2023, respectively. Amounts due to Shenyang Yunrongxin were RMB722 and RMB150 as of December 31, 2022 and 2023, which are included in accounts amounts due to related parties on the consolidated balance sheets.

The Company purchased project development services from Shanghai Keshen, which is included in cost of revenues of nil, nil and RMB3,302, for the years ended December 31, 2021, 2022 and 2023, respectively. Amounts due from Shanghai Keshen were RMB105 and RMB3,350, which were prepayment of project development services fee as of December 31, 2022 and 2023, respectively.

The Company purchased project development services from Shenzhen City Yunjitong, amounts due to Shenzhen City Yunjitong were RMB5 and RMB4 as of December 31, 2022 and 2023, which are included in accounts amounts due to related parties on the consolidated balance sheets.

(iii) The Company had the following related party balances as of December 31, 2022 and 2023:

	Notes	2022	2023
		RMB	RMB
Accounts receivable - related parties, net:			
-Shanghai Keshen Information Technology Co., Ltd.	(b)	-	4
-Shenyang Yunrongxin Technology Co., Ltd	(c)	99	700
Amounts due from related parties:			
-Shanghai Keshen Information Technology Co., Ltd.	(d)	105	3,350
Total amounts due from related parties		105	3,350
Amounts due to related parties:			
-Shenyang Yunrongxin Technology Co., Ltd	(d)	722	150
-Shenzhen City Yunjitong Technology Co., Ltd	(d)	5	4
-Shanghai Keshen Information Technology Co., Ltd.	(b)	53	51
Total amounts due to related parties		780	205

22. SUBSEQUENT EVENTS

(a) Coronavirus Impact

Since the outbreak of COVID-19 throughout China and other countries and regions, a series of precautionary and control measures have been implemented worldwide to contain the virus. The outbreak of COVID-19 has had certain negative impact on the overall economy of the regions where the Company deliver its products or services. Any economic slowdown and/or negative business sentiment could potentially have an impact on the industries in which the Company's major customers operate, including the settlement of the outstanding accounts receivable from these customers.

The Group will continue to closely focus on both global and domestic situation of concerning its prevention and control, and cope with the related impacts on the Company actively.

(b) U.S. Class Action

On April 19, 2021, the Company and certain of current and former directors and officers, the underwriters of the Company in the initial public offering and the Company's agent for service of process in the United States were named as defendants in a securities class action filed in the Supreme Court of the State of New York, New York County (Index No. 652617/2021). The plaintiff alleges that the registration statement on Form F-1 in connection with the initial public offering contained material misstatements and omissions in violation of the U.S. federal securities laws, including those relating to estimates on financial results of the fourth quarter of 2020. On December 3, 2021, defendants in the Sonny St. John action filed a motion to dismiss the complaint, and on August 10, 2022, the Supreme Court of the State of New York denied that motion to dismiss. On December 10, 2021, the Company and certain of current and former directors and officers, the underwriters of the Company in the initial public offering and the Company's agent for service of process in the United States were named as defendants in a securities class action filed in the United States District Court of the Southern District of New York (Case No. 1:21-cv-10610-JGK), which also has arisen out of certain public disclosures made in connection with the initial public offering. On July 15, 2022, defendants in the Dong action filed a motion to dismiss the complaint, and on March 16, 2023, the United States District Court for the Southern District of New York denied that motion to dismiss. On June 5, 2023, we as well as all parties to the above-mentioned class action lawsuits executed a binding term sheet, which set forth all material deal points associated with the full and final resolution of the class action lawsuits. On August 16, 2023, we entered into a stipulation of settlement reflecting the terms of the settlement. The settlement documents require us to pay a total of US$12,000 (equivalent to RMB83,575) in cash to the plaintiff class. On October 5,2023, the Supreme Court of the State of New York preliminarily approved the settlement of the class action lawsuits. On October 26, 2023, the Company paid off the settlement amount. On January 23, 2024, the Supreme Court of the State of New York issued an order granting final approval of the settlement and dismissing the claims the in the Sonny St. John action.

23. PARENT ONLY FINANCIAL INFORMATION

The following condensed parent company financial information of Cloopen Group Holding Limited has been prepared using the same accounting policies as set out in the accompanying consolidated financial statements. As of December 31, 2023, there were no material contingencies, significant provisions of long-term obligations, mandatory dividend or redemption requirements of redeemable stocks or guarantees of Cloopen Group Holding Limited, except for those, which have been separately disclosed in the consolidated financial statements.

(a) Condensed Balance Sheets

	December 31,	
	2022	2023
	RMB	RMB
Assets		
Current assets		
Cash	64,344	20,475
Term deposits	713,872	85,522
Short-term investments	62,681	39,197
Other current assets	13	13
Total current assets	**840,910**	**145,207**
Non-current asset:		
Investments in and amounts due from subsidiaries and consolidated VIE and VIE's subsidiaries	857,362	1,108,131
Total non-current asset	**857,362**	**1,108,131**
Total assets	**1,698,272**	**1,253,338**
Liabilities		
Current liabilities		
Accrued expenses and other current liabilities	135,054	52,372
Total current liabilities	**135,054**	**52,372**
Total liabilities	**135,054**	**52,372**
Shareholders' equity:		
Class A Ordinary Shares	193	195
Class B Ordinary Shares	17	17
Additional paid-in capital	11,184,360	11,210,542
Treasury stock	(120,899)	(120,899)
Accumulated other comprehensive loss	(78,613)	(57,327)
Accumulated deficit	(9,421,840)	(9,831,562)
Total shareholders' equity	**1,563,218**	**1,200,966**
Total liabilities and shareholders' equity	**1,698,272**	**1,253,338**

(b) Condensed Statements of Comprehensive Loss

	Year ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Total operating expenses	(280,773)	(238,074)	(89,953)
Change in fair value of warrant liabilities	(29,011)	-	-
Share of losses from subsidiaries and consolidated VIE and VIE's subsidiaries	(594,075)	(736,824)	(319,769)
Loss before income taxes	**(903,859)**	**(974,898)**	**(409,722)**
Income tax expense	-	-	-
Net loss	**(903,859)**	**(974,898)**	**(409,722)**
Accretion and modification of Redeemable Convertible Preferred Shares	(4,878,652)	-	-
Net loss attributable to ordinary shareholders	**(5,782,511)**	**(974,898)**	**(409,722)**

(c) Condensed Statements of Cash Flows

	Year ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Net cash used in operating activities	(13,099)	(290,137)	(133,979)
Net cash used in investing activities	(1,397,584)	(335,194)	(569,407)
Net cash provided by/ (used in) financing activities	2,685,674	(47,474)	-
Effect of foreign currency exchange rate changes on cash	(58,740)	73,275	31,168
Net increase/(decrease) in cash	**1,216,251**	**(599,530)**	**(672,218)**
Cash at the beginning of the year	161,494	1,377,745	778,215
Cash at the end of the year	**1,377,745**	**778,215**	**105,997**

B. THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CLOOPEN GROUP FOR THE YEAR ENDED DECEMBER 31, 2024

CLOOPEN GROUP HOLDING LIMITED

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To the Shareholders and Board of Directors
Cloopen Group Holding Limited:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Cloopen Group Holding Limited (the "Company"), its subsidiaries and its variable interest entities (collectively the "Group") as of December 31, 2023 and 2024, the related consolidated statements of comprehensive loss, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2024, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2024, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2024, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ ARK PRO CPA & Co

We have served as the Company's auditor since 2023.

Hong Kong, China

September 3, 2025

CLOOPEN GROUP HOLDING LIMITED

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Notes	December 31, 2023 RMB	December 31, 2024 RMB	December 31, 2024 US$
ASSETS				
Current assets				
Cash	4	377,947	640,119	87,696
Restricted cash	4	4,502	10,396	1,424
Term deposits	2(i)	545,368	222,783	30,521
Short-term investments	14	422,559	291,280	39,905
Accounts receivable – third parties, net	5	143,421	120,374	16,491
Accounts receivable – related parties, net	5,19	704	389	53
Contract assets	17	26,107	27,752	3,802
Amounts due from a related party	19	3,350	2,590	355
Prepayments and other current assets	6	109,455	119,996	16,439
Total current assets		**1,633,413**	**1,435,679**	**196,686**
Non-current assets				
Long-term investments	7	54,049	54,052	7,405
Property and equipment, net	8	10,385	8,173	1,120
Operating lease right-of-use assets	9	13,992	10,800	1,480
Intangible assets, net	10	14,294	11,609	1,590
Goodwill	11	54,427	54,427	7,457
Other non-current assets		3,528	3,639	498
Total non-current assets		**150,675**	**142,700**	**19,550**
Total assets		**1,784,088**	**1,578,379**	**216,236**
LIABILITIES AND SHAREHOLDERS' EUQITY				
Current liabilities				
Accounts payable		87,729	95,485	13,081
Contract liabilities	17	363,228	306,112	41,937
Operating lease liabilities-current	9	10,300	5,843	801
Amounts due to related parties	19	205	154	21
Accrued expenses and other current liabilities	12	124,540	101,009	13,838
Total current liabilities		**586,002**	**508,603**	**69,678**
Non-current liabilities				
Operating lease liabilities-non current	9	2,164	4,731	648
Deferred income tax liabilities	15	857	466	64
Other non-current liabilities		27	-	-
Total non-current liabilities		**3,048**	**5,197**	**712**
Total liabilities		**589,050**	**513,800**	**70,390**
Commitments and contingencies (Note 18)				
SHAREHOLDERS' EQUITY:				
Class A Ordinary Shares (US$0.0001 par value, 600,000,000 shares authorized, 309,105,485 shares issued as of December 31, 2023 and 2024, and 308,308,147 and 308,053,676 shares outstanding as of December 31, 2023 and 2024, respectively)		195	195	27
Class B Ordinary Shares (US$0.0001 par value, 25,649,839 shares authorized, issued and outstanding as of December 31, 2023 and 2024; each Class B ordinary share is convertible into one Class A ordinary share)		17	17	2
Additional paid-in capital		11,210,542	11,225,945	1,537,948
Treasury stock		(120,899)	(120,899)	(16,563)
Accumulated other comprehensive loss		(57,327)	(56,362)	(7,722)
Accumulated deficit		(9,831,562)	(9,974,319)	(1,366,476)
Total shareholders' Equity attributable to Cloopen Group Holding Limited		**1,200,966**	**1,074,577**	**147,216**
Non-controlling interests		**(5,928)**	**(9,998)**	**(1,370)**
Total shareholders' Equity		**1,195,038**	**1,064,579**	**145,846**
Total liabilities and shareholders' equity		**1,784,088**	**1,578,379**	**216,236**

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Notes	Year ended December 31,			
		2022	2023	2024	
		RMB	RMB	RMB	US$
Revenues (including related parties amounts of RMB1,377, RMB 919 and RMB 163 for the years ended December 31,2022, 2023 and 2024, respectively)	17,19	593,634	571,024	573,566	78,578
Cost of revenues (including related parties amounts of RMB nil, RMB3,623 and RMB1,981 for the years ended December 31, 2022, 2023 and 2024, respectively)	19	(367,334)	(366,375)	(362,717)	(49,692)
Gross profit		226,300	204,649	210,849	28,886
Operating expenses:					
Selling and marketing expenses		(265,304)	(227,543)	(187,305)	(25,661)
General and administrative expenses		(319,217)	(191,113)	(93,916)	(12,866)
Impairment loss of goodwill		(107,407)	-	-	-
Impairment loss of intangible assets		(28,011)	-	-	-
Provision for U.S Class Action		(83,575)	-	-	-
Other operating income (expenses)		(70,417)	-	49,530	6,786
Research and development expenses	19	(326,513)	(222,538)	(177,000)	(24,249)
Total operating expenses		**(1,200,444)**	**(641,194)**	**(408,691)**	**(55,990)**
Operating loss		**(974,144)**	**(436,545)**	**(197,842)**	**(27,104)**
Interest expenses		(428)	-	-	-
Interest income		14,627	26,826	42,151	5,775
Investment income		340	563	11,859	1,625
Share of gains (losses) of equity method investments	7	(1,969)	(1,470)	3	-
Gains from disposal of long-term investments		5,138	-	-	-
Impairment loss of long-term investments	7	(7,400)	(8,011)	-	-
Gains (losses) from disposal of subsidiaries, net		(2,739)	-	403	55
Foreign currency exchange gains (losses), net		(9,666)	5,699	(3,717)	(509)
Loss before income taxes		**(976,241)**	**(412,938)**	**(147,143)**	**(20,158)**
Income tax benefit	15	342	564	316	43
Net loss		**(975,899)**	**(412,374)**	**(146,827)**	**(20,115)**
Net loss attributable to non-controlling interests		**(1,001)**	**(2,652)**	**(4,070)**	**(558)**
Net loss attributable to Cloopen Group Holding Limited		**(974,898)**	**(409,722)**	**(142,757)**	**(19,557)**
Net loss attributable to ordinary shareholders		**(974,898)**	**(409,722)**	**(142,757)**	**(19,557)**
Net loss		**(975,899)**	**(412,374)**	**(146,827)**	**(20,115)**
Other comprehensive income:					
Foreign currency translation adjustment, net of nil income taxes		153,655	21,286	965	132
Total other comprehensive income		**153,655**	**21,286**	**965**	**132**
Comprehensive loss		**(822,244)**	**(391,088)**	**(145,862)**	**(19,983)**
Comprehensive loss attributable to non-controlling interests		(1,001)	(2,652)	(4,070)	(558)
Comprehensive loss attributable to Cloopen Group Holding Limited		**(821,243)**	**(388,436)**	**(141,792)**	**(19,425)**
Net loss per ordinary share					
—Basic and diluted	16	(3.03)	(1.27)	(0.44)	(0.06)
Weighted average number of ordinary shares outstanding used in computing net loss per ordinary share					
—Basic and diluted	16	321,885,046	321,945,825	322,945,205	322,945,205

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Note	Class A ordinary shares		Class B ordinary shares		Treasury Shares	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity attributable to Cloopen Group Holding Limited	Non-controlling interests	Total shareholders' equity
		Number of shares	RMB	Number of shares	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2022		**299,727,940**	**192**	**25,649,839**	**17**	**(81,638)**	**11,066,975**	**(232,268)**	**(8,446,942)**	**2,306,336**	**(1,065)**	**2,305,271**
Change in the ownership interest in the subsidiaries		-	-	-	-	-	4,877	-	-	4,877	(1,210)	3,667
Exercise option		8,529,150	1	-	-	-	4,012	-	-	4,013	-	4,013
Issuance of restricted ordinary shares to company's interest shareholders as share based compensation	15	-	-	-	-	-	1,034	-	-	1,034	-	1,034
Repurchase of common shares		797,338	-	-	-	(39,261)	-	-	-	(39,261)	-	(39,261)
Net loss		-	-	-	-	-	-	-	(974,898)	(974,898)	(1,001)	(975,899)
Share-based compensation	15	-	-	-	-	-	107,462	-	-	107,462	-	107,462
Foreign currency translation adjustment, net of nil income taxes		-	-	-	-	-	-	153,655	-	153,655	-	153,655
Balance as of December 31, 2022		**309,054,428**	**193**	**25,649,839**	**17**	**(120,899)**	**11,184,360**	**(78,613)**	**(9,421,840)**	**1,563,218**	**(3,276)**	**1,559,942**

The accompanying notes are an integral part of these consolidated financial statements.

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CLOOPEN GROUP HOLDING LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2023

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Note	Class A ordinary shares		Class B ordinary shares		Treasury Shares	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity attributable to Cloopen Group Holding Limited	Non-controlling interests	Total shareholders' equity
		Number of shares	RMB	Number of shares	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2023		**309,054,428**	**193**	**25,649,839**	**17**	**(120,899)**	**11,184,360**	**(78,613)**	**(9,421,840)**	**1,563,218**	**(3,276)**	**1,559,942**
Cumulative effect of adoption of ASC 326		-	-	-	-	-	-	-	(196)	(196)	-	(196)
Exercise option		1,442,808	2	-	-	-	3,943	-	-	3,945	-	3,945
Net loss		-	-	-	-	-	-	-	(409,526)	(409,526)	(2,652)	(412,178)
Share-based compensation	13	-	-	-	-	-	22,239	-	-	22,239	-	22,239
Foreign currency translation adjustment, net of nil income taxes		-	-	-	-	-	-	21,286	-	21,286	-	21,286
Balance as of December 31, 2023		**310,491,236**	**195**	**25,649,839**	**17**	**(120,899)**	**11,210,542**	**(57,327)**	**(9,831,562)**	**1,200,966**	**(5,928)**	**1,195,038**
Balance as of December 31, 2023 —US$		**-**	**27**	**-**	**2**	**(17,028)**	**1,578,972**	**(8,074)**	**(1,384,747)**	**169,152**	**(835)**	**168,317**

The accompanying notes are an integral part of these consolidated financial statements.

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CLOOPEN GROUP HOLDING LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2024

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Note	Class A ordinary shares		Class B ordinary shares		Treasury Shares	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity attributable to Cloopen Group Holding Limited	Non-controlling interests	Total shareholders' equity
		Number of shares	RMB	Number of shares	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2024		**310,491,236**	**195**	**25,649,839**	**17**	**(120,899)**	**11,210,542**	**(57,327)**	**(9,831,562)**	**1,200,966**	**(5,928)**	**1,195,038**
Exercise option		588,187	-	-	-	-	1,099	-	-	1,099	-	1,099
Net loss		-	-	-	-	-	-	-	(142,757)	(142,757)	(4,070)	(146,827)
Share-based compensation	13	-	-	-	-	-	14,304	-	-	14,304	-	14,304
Foreign currency translation adjustment, net of nil income taxes		-	-	-	-	-	-	965	-	965	-	965
Balance as of December 31, 2024		**311,079,423**	**195**	**25,649,839**	**17**	**(120,899)**	**11,225,945**	**(56,362)**	**(9,974,319)**	**1,074,577**	**(9,998)**	**1,064,579**
Balance as of December 31, 2024 —US$		**-**	**27**	**-**	**2**	**(16,563)**	**1,537,948**	**(7,722)**	**(1,366,476)**	**147,216**	**(1,370)**	**145,846**

The accompanying notes are an integral part of these consolidated financial statements.

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CLOOPEN GROUP HOLDING LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Year ended December 31,			
	2022	2023	2024	
	RMB	RMB	RMB	US$
Operating activities:				
Net loss	**(975,899)**	**(412,374)**	**(146,827)**	**(20,115)**
Adjustments to reconcile net loss to net cash used in operating activities				
Allowance for doubtful accounts	25,589	16,456	(3,875)	(531)
Share-based compensation	107,462	22,238	14,304	1,960
Depreciation of property and equipment and amortization of Intangible assets	13,893	8,775	7,634	1,046
Amortization of right-of-use asset and interest on lease liabilities	8,823	4,516	8,468	1,160
Deferred tax benefit	(8,806)	(429)	(390)	(54)
Share of losses (gains) of equity method investments	1,969	1,470	(3)	-
Gains from disposal of long-term investments	(5,138)	-	-	-
Impairment loss of long-term investments	7,400	8,011	-	-
Loss from disposal of property and equipment	62	66	63	9
Investment income	(340)	(563)	(11,859)	(1,625)
Impairment loss of intangible assets	28,011	-	-	-
Impairment loss of goodwill	107,407	-	-	-
Losses (gains) from disposal of subsidiaries, net	2,739	-	(403)	(55)
Provision for U.S Class Action	83,575	-	-	-
Unrealized foreign exchange (gains) losses	9,666	(5,699)	3,717	509
Changes in operating assets and liabilities, net of effect of disposal of subsidiaries:				
Accounts receivable - third parties, net	1,234	(28,125)	38,573	5,284
Accounts receivable - related parties, net	216	(724)	34	5
Contract assets	(31,422)	26,675	(13,015)	(1,783)
Amounts due from related parties	(105)	(3,245)	760	104
Prepayments and other current assets	27,591	(1,326)	1,726	236
Operating lease right-of-use assets	(25,165)	(2,166)	(5,276)	(723)
Other non-current assets	(1,452)	1,052	(111)	(15)
Accounts payable	(24,589)	(34,395)	7,756	1,063
Contract liabilities	61,863	3,427	(57,116)	(7,825)
Amounts due to related parties	(14)	(575)	(51)	(7)
Operating lease liabilities	16,610	(4,146)	(1,890)	(259)
Other non-current liabilities	(2,424)	3,063	-	-
Accrued expenses and other current liabilities	3,974	(118,184)	(22,459)	(3,077)
Net cash used in operating activities	**(567,270)**	**(516,202)**	**(180,240)**	**(24,693)**
Investing activities:				
Cash paid for business combination	(116,396)	(8,915)	-	-
Cash paid for purchase of property and equipment	(5,825)	(807)	(2,892)	(396)
Cash paid for purchase of intangible assets	(980)	(952)	(328)	(45)
Cash paid for purchase of other equity investments	-	(5,000)	-	-
Cash received from sale of short-term investments	64,833	24,663	357,825	49,022
Cash paid for purchase of short-term investments	(349,350)	(28,187)	(222,036)	(30,419)
Cash received from disposal of property and equipment	-	15	4	1
Cash Received from disposal of long-term investments	64,987	-	-	-
Cash paid for term deposits	(4,345,910)	(938,458)	(1,243,877)	(170,410)
Cash received from maturity of term deposits	5,040,269	1,308,935	1,571,532	215,298
Net cash provided by/(used in) investing activities	**351,628**	**351,294**	**460,228**	**63,051**
Financing activities:				
Repayment of long-term borrowings	(8,004)	-	-	-
Repurchase of treasury stock	(39,261)	-	-	-
Repayment for short-term bank borrowings	(5,500)	-	-	-
Net cash provided by/(used in) financing activities	**(52,765)**	-	-	-
Effect of foreign currency exchange rate changes on cash	138,795	20,092	(11,922)	(1,633)
Net increase/(decrease) in cash and restricted cash	**(129,612)**	**(144,816)**	**268,066**	**36,725**
Cash and restricted cash at the beginning of the year	656,877	527,265	382,449	52,395
Cash and restricted cash at the end of the year	**527,265**	**382,449**	**650,515**	**89,120**
Supplemental information				
Interest paid	479	-	-	-
Income tax paid	368	93	11	2
Income tax refund	-	-	(774)	(106)

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

1. DESCRIPTION OF BUSINESS, ORGANIZATION AND BASIS OF PRESENTATION

Organization and principal activities

Cloopen Group Holding Limited ("the Company"), through its wholly-owned subsidiaries, consolidated variable interest entity ("VIE") and VIE's subsidiaries (collectively referred to as "the Group"), is principally engaged in providing integrated communication services based on cloud computing technology. The Group's principal operations and geographic markets are mainly in the People's Republic of China ("PRC").

The accompanying consolidated financial statements include the financial statements of the Company, its subsidiaries, consolidated VIE and VIE's subsidiaries.

The VIE arrangements

The Group operates its cloud communication business in the PRC through Beijing Ronglian Yitong Information Technology Co., Ltd. ("Ronglian Yitong", or the "VIE"), a limited liability company established under the laws of the PRC on March 31, 2009. Ronglian Yitong and its subsidiaries holds the necessary PRC operating licenses for the online businesses. The equity interests of Ronglian Yitong are legally held by Mr. Changxun Sun, the founder, chairman of board of directors and chief executive officer, Mr. Jianhong Zhou, the director of the Company, Lhasa Heye Investment Management Co., Ltd., and Beijing Hongshan Shengde Equity Investment Center (Limited Partnership) who act as nominee equity holders of the VIE on behalf of Anxun Guantong (Beijing) Technology Co., Ltd. ("Anxun Guantong" or "WFOE"), the Company's wholly-owned subsidiary. A series of contractual agreements, including Powers of Attorney, Exclusive Business Cooperation Agreement, Equity Pledge Agreement, Exclusive Option Agreement and Spousal Consent Letter (collectively, the "VIE Agreements"), were entered among the Company, Anxun Guantong, Ronglian Yitong and its nominee equity holders.

Pursuant to the VIE Agreements, the Company is able to exercise effective control over, bears the risks of, enjoys substantially all of the economic benefits of the VIE, and has an exclusive option to purchase all or part of the equity interests in the VIE when and to the extent permitted by the PRC law at the lowest price possible. The Company's management concluded that Ronglian Yitong is a VIE and the Company is its primary beneficiary. As such, the consolidated financial statements of the VIE are included in the consolidated financial statements of the Company.

The principal terms of the VIE Agreements are further described below.

1) Powers of Attorney

The Company and each of the equity holders of Ronglian Yitong entered into Powers of Attorney. Pursuant to the Powers of Attorney, the equity holders of Ronglian Yitong irrevocably appointed Anxun Guantong as their attorney-in-fact to exercise all equity holder rights, including, but not limited to, proposing, convening and attending in the equity holders' meeting, appointing or removing directors, executive officers and senior management, disposing of all or part of the equity holder's interests in Ronglian Yitong, casting the equity holders' votes on matters requiring equity holders' approval and doing all other acts in the capacity of the equity holders as permitted by Ronglian Yitong's Memorandum and Articles of Association. In addition, the Company has a right to assign its rights and benefits under the Powers of Attorney to any other parties without an advance notice to the equity holders of Ronglian Yitong. The Powers of Attorney shall continue in force and be irrevocable as long as the equity holders of Ronglian Yitong remain as the equity holders of Ronglian Yitong.

2) Exclusive Business Cooperation Agreement

Anxun Guantong and Ronglian Yitong entered into an Exclusive Business Cooperation Agreement, whereby Anxun Guantong is appointed as the exclusive service provider for the provision of business support, technology and consulting services to Ronglian Yitong. Unless a written consent is given by Anxun Guantong, Ronglian Yitong is not allowed to engage a third party to provide such services, while Anxun Guantong is able to designate another party to render such services to Ronglian Yitong. Ronglian Yitong shall pay Anxun Guantong on a monthly basis a service fee, which shall be equal to 100% of the monthly net profits of Ronglian Yitong, and Anxun Guantong has the sole discretion to adjust the basis of calculation of the service fee amount according to service provided to Ronglian Yitong. Anxun Guantong owns the exclusive intellectual property rights, whether created by Anxun Guantong or Ronglian Yitong, as a result of the performance of the Exclusive Business Cooperation Agreement unless terminated in writing by Anxun Guantong. The Exclusive Business Cooperation Agreement may be extended if confirmed in writing by Anxun Guantong prior to the expiration thereof. The extended term shall be determined by Anxun Guantong, and Ronglian Yitong shall accept such extended term unconditionally.

3) Equity Pledge Agreement

An Equity Pledge Agreement was entered into by and among Anxun Guantong, Ronglian Yitong and equity holders of Ronglian Yitong. To guarantee payment from Ronglian Yitong, including but not limited to the service fee pursuant to the Exclusive Business Cooperation Agreement, and the performance of Ronglian Yitong and the nominee equity holders' obligations under the contractual arrangements including the Exclusive Business Cooperation Agreement, Exclusive Option Agreement and Powers of Attorney, the equity holders of Ronglian Yitong pledged their respective equity in Ronglian Yitong to Anxun Guantong under the Equity Pledge Agreement as collateral. In the event Ronglian Yitong fails to pay Anxun Guantong its service fee, Anxun Guantong will have the right to sell the pledged equity and apply the proceeds received to pay any outstanding service fees due by Ronglian Yitong to Anxun Guantong. The equity holders of Ronglian Yitong agree that, during the term of the Equity Pledge Agreement, they will not dispose of the pledged equity or create or allow any encumbrance on the pledged equity, and they also agree that Anxun Guantong's rights relating to the equity pledges shall not be prejudiced by any legal actions of the equity holders of Ronglian Yitong , their successors or their designees. Except that the pledge of approximately 1.55% of the equity interests of VIE is subject to the registration in compliance with the PRC Property Rights Law, the equity pledge was registered with the relevant local administration for industry and commerce in October 2019 and may only be terminated upon the fulfillment of all contractual obligations under the Exclusive Business Cooperation Agreement, Exclusive Option Agreement and Powers of Attorney. During the term of the Equity Pledge Agreement, Anxun Guantong is entitled to receive dividends attributable to the pledged Ronglian Yitong equity.

4) Exclusive Option Agreement

Each of the equity holders of Ronglian Yitong entered into an Exclusive Option Agreement with Anxun Guantong, and Ronglian Yitong, pursuant to which the equity holders of Ronglian Yitong granted Anxun Guantong or other person upon the designation by Anxun Guantong, an irrevocable and exclusive option to purchase, at its discretion and to the extent permitted under the PRC law, all or part of the equity holders' interests in Ronglian Yitong at the lowest price that the PRC law permits at the time unless a valuation of the equity is required by the PRC law. The equity holders of Ronglian Yitong commit that without the prior written consent of Anxun Guantong, the equity holders of Ronglian Yitong will not, among other things, (1) change or amend the Memorandum and Articles of Association , increase or decrease Ronglian Yitong's registered capital, change its structure of registered capital in other manners; (2) sell, transfer, mortgage or dispose of in any manner any assets of Ronglian Yitong or legal or beneficial interest in the business or revenue of Ronglian Yitong, or allow the encumbrance thereon of any security interest; (3) incur, inherit, guarantee or suffer the existence of any debt, except for (i) debts incurred in the ordinary course of business other than through loans and (ii) debts disclosed to Anxun Guantong for which Anxun Guantong's written consent has been obtained; (4) providing any person with any loan or credit or guarantee in any form; (5) cause or permit Ronglian Yitong to merge, consolidate with, acquire or invest in any person, and/or sell permit Ronglian Yitong to sell assets with a value of over RMB500,000; (6)in any manner distribute dividends to its shareholders; (7) create any pledge or encumbrance on their equity interests in Ronglian Yitong; (8) transfer or otherwise dispose of their equity interests in Ronglian Yitong and its equity holders shall appoint those individuals recommended by Anxun Guantong as directors of Ronglian Yitong. Ronglian Yitong shall provide operating and financial information to the Company at the request of Anxun Guantong and ensure the continuance of the business. The Exclusive Option Agreement will remain effective until all equity interests in Ronglian Yitong held by its equity holders are transferred or assigned to the Company or its designee. Ronglian Yitong and its equity holders shall not have any right to terminate the Exclusive Option Agreement.

5) Spousal Consent Letter

Pursuant to the Spousal Consent Letters executed by the spouse of the principal individual shareholder of the VIE, the signing spouse confirmed that she does not enjoy any right or interest in connection with the equity interests of the VIE. The spouse also irrevocably agreed that she would not claim in the future any right or interest in connection with the equity interests in the VIE held by her spouse.

Risks in relation to the VIE structure

In the opinion of the Company's management, the VIE Agreements have resulted in the WFOE having the power to direct activities that most significantly impact the VIE, including appointing key management, setting up operating policies, exerting financial controls and transferring profit or assets out of the VIE at its discretion. The Company considers that it has the right to receive all the benefits and assets of the VIE. As the VIE was established as a limited liability company under the PRC law, its creditors do not have recourse to the general credit of the Company for the liabilities of the VIE, and the Company does not have the obligation to assume the liabilities of the VIE.

The Company has determined that the VIE Agreements are in compliance with the PRC laws and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce the VIE Agreements; and if the equity holders of the VIE were to reduce their interest in the Company, their interests may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual terms.

The Company's ability to control the VIE also depends on the rights provided to the Company under the Powers of Attorney to vote on all matters requiring equity holders' approval in the respective VIE. As noted above, the Company believes these Powers of Attorney are legally enforceable but yet they may not be as effective as direct equity ownership. In addition, if the corporate structure of the Group or the contractual arrangements among the Company, Anxun Guantong, the VIE and its respective equity holders were found to be in violation of any existing PRC laws and regulations, the relevant PRC regulatory authorities could:

- revoke the business license and/or operating licenses of such entities;
- discontinue or place restrictions or onerous conditions on the Group's operations;
- impose fines, confiscating the income from the VIE, or imposing other requirements with which the Group may not be able to comply;
- require the Group to restructure its ownership structure or operations, including terminating the contractual arrangements with the VIE and deregistering the equity pledges of the VIE, which in turn would affect the Company's ability to consolidate, derive economic interests from, or exert effective control over the VIE; or
- restrict or prohibit our use of the proceeds of this offering to finance our business and operations in the PRC.

The imposition of any of the above restrictions or actions may result in a material and adverse effect on the Group's ability to conduct its business. In addition, if the imposition of any of these restrictions causes the Company to lose the right to direct the activities of the VIE or the right to receive its economic benefits, the Company would no longer be able to consolidate the VIE. The Company's management believes that the likelihood to lose the Company's current ownership structure or the contractual arrangements with the VIE is remote based on the current facts and circumstances.

There is no VIE in which the Company has a variable interest but is not the primary beneficiary. Currently there is no contractual arrangement that could require the Company to provide additional financial support to the VIE.

The following consolidated assets and liabilities information of the Group's VIE as of December 31, 2023 and 2024, and consolidated revenues, net loss and cash flow information for the years then ended, have been included in the accompanying consolidated financial statements:

	December 31,	
	2023	2024
	RMB	RMB
Cash	106,603	139,299
Restricted cash	4,502	10,396
Accounts receivable - third parties, net	140,673	112,705
Accounts receivable - related parties, net*	50,144	49,603
Contract assets	26,107	27,752
Amounts due from related parties	117,764	8,575
Prepayments and other current assets	63,607	73,556
Total current assets	**509,400**	**421,886**
Long-term investments	54,049	54,052
Property and equipment, net	9,943	6,759
Operating lease right-of-use assets	11,094	6,856
Intangible assets, net	13,639	11,507
Goodwill	54,427	54,427
Other non-current assets	2,997	2,949
Total assets	**655,549**	**558,436**
Accounts payable	81,211	84,134
Contract liabilities	363,180	299,010
Amounts due to related parties**	2,217,392	2,207,995
Operating lease liabilities-current	7,775	3,930
Accrued expenses and other current liabilities	58,859	60,321
Total current liabilities	**2,728,417**	**2,655,390**
Operating lease liabilities-non current	1,942	2,707
Deferred income tax liabilities	857	466
Total liabilities	**2,731,216**	**2,658,563**

* Accounts receivable-related parties, net includes accounts receivable, net due from the Company and its subsidiaries, which are eliminated upon consolidation, and accounts receivable, net due from one of the Company's shareholders and other related parties of RMB704 and RMB389 as of December 31, 2023, and 2024.

** Amounts due to related parties include amounts due to the Company and its subsidiaries, which are eliminated upon consolidation, and amounts due to one of the Company's shareholders and other related parties of RMB205 and RMB 154 as of December 31, 2023 and 2024.

	Year ended December 31,		
	2022	2023	2024
	RMB	*RMB*	*RMB*
Revenues	636,320	553,910	563,277
Net loss	(544,042)	(232,856)	(33,078)
Net cash provided by/ (used in) operating activities	(574,227)	(184,395)	46,516
Net cash provided by/ (used in) investing activities	26,940	(6,700)	(3,216)
Net cash provided by/ (used in) financing activities	437,759	218,926	(4,712)
Net increase / (decrease) in cash and restricted cash	(109,528)	27,831	38,588
Cash and restricted cash at the beginning of the year	192,803	83,275	111,106
Cash and restricted cash at the end of the year	83,275	111,106	149,694

In accordance with VIE Agreements, WFOE has the power to direct the activities of the VIE. Therefore, the Company considers that there are no assets in the VIE that can be used only to settle obligations of the VIE, except for restricted cash of RMB4,502 and RMB10,396 as of December 31, 2023 and 2024, respectively. The creditors of VIEs do not have recourse to the general credit of WFOE.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The accompanying consolidated financial statements contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. The realization of assets and the satisfaction of liabilities in the normal course of business are dependent on, among other things, the Group's ability to operate profitably, to generate cash flows from operations, and its ability to attract investors and to borrow funds on reasonable economic terms.

(b) Principles of Consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, the VIE for which the WFOE is the primary beneficiary, and the VIE's subsidiaries.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power or has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at the meeting of directors. A VIE is an entity in which the Company, or its subsidiary, through contractual arrangements, exercises effective control over the activities that most impact the economic performance, bears the risks of, and enjoys the rewards normally associated with ownership of the entity, and therefore the Company or its subsidiary is the primary beneficiary of the entity.

All intercompany transactions and balances among the Company, its subsidiaries, the VIE, and the VIE's subsidiaries have been eliminated upon consolidation.

The following table lists major subsidiaries and the consolidated VIEs of the Company as of December 31, 2024:

	Palace of Incorporation	Percentage of ownership
Beijing Ronglian Yitong Information Technology Co., Ltd.	PRC	VIE
Beijing Ronglian Qimo Technology Co., Ltd.	PRC	100%
Beijing Ronglian Guanghui Technology Co., Ltd.	PRC	100%
Beijing Baiyi High-tech Information Technology Co., Ltd.	PRC	100%
Beijing Ronglian Huitong Technology Information Co., Ltd.	PRC	100%
Shenzhen Zhongtian Wangjing Technology Co., Ltd.	PRC	100%
Cloopen Japan Co., Ltd.	Japan	100%
Anxun Guantong (Beijing) Technology Co., Ltd.	PRC	100%
Cloopen limited	HK	100%

(c) Use of Estimates

The preparation of the consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures of contingent assets and liabilities at the balance sheet date, and the reported revenues and expenses during the reported period in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates, and as such, differences may be material to the consolidated financial statements. Significant accounting estimates reflected in the Group's financial statements include, but not limited to, revenue recognition, fair value of assets and liabilities acquired in business combination, the allowance for credit loss of accounts receivable and contract assets, depreciable lives and recoverability of property and equipment and intangible assets, assessment of impairment of long-lived assets, intangible assets and goodwill, the realization of deferred income tax assets, the fair value of share based compensation awards, short-term investments, equity method investments, other equity investments, incremental borrowing rates for operating lease liabilities, and management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances.

In March 2020, the World Health Organization declared the outbreak of a disease caused by a novel strain of the coronavirus ("COVID-19") to be a pandemic. After the initial outbreak of the COVID-19, some instances of COVID-19 infections have emerged from time to time. The COVID-19 pandemic has created and may continue to create significant uncertainty in the macroeconomic environment which, in addition to other unforeseen effects of this pandemic, may adversely impact the Group's results of operations. The extent to which COVID-19 would impacts the results of operations is contingent on the future developments of the outbreak, including constant updates concerning the global severity of and actions needed to contain the outbreak, which are highly uncertain and unpredictable. Due to the uncertainty and the economic implications on global economics conditions from the COVID-19 pandemic, certain estimates and assumptions may change in the near term.

(d) Convenience Translation

Translations of the consolidated financial statements from RMB into US$ as of and for the year ended December 31, 2024 are solely for the convenience of the readers and were calculated at the rate of US$1.00 = RMB7.2993, representing the noon buying rate in The City of New York for cable transfers of RMB as set forth in the H.10 weekly statistical release of Federal Reserve Board on December 31, 2024. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US$ at that rate on December 31, 2024, or at any other rate.

(e) Commitments and Contingencies

In the normal course of business, the Group is subject to loss contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters, including, among others, government investigations, shareholder lawsuits, and non-income tax matters. An accrual for a loss contingency is recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed.

(f) Business combinations

Business combinations are recorded using the acquisition method of accounting in accordance with ASC topic 805 ("ASC 805"): Business Combinations. The acquisition method of accounting requires an acquirer to determine the identifiable acquired assets, the liabilities assumed and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date. The consideration transferred for an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities assumed, and equity instruments issued as well as the contingent considerations as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total cost of the acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings.

(g) Cash

Cash consists of cash on hand and cash at bank. Cash at bank are deposited in financial institutions at below locations:

	December 31,	
	2023	2024
	RMB	RMB
Cash balances include deposits in: Financial institutions in the mainland of the PRC		
—Denominated in Renminbi ("RMB")	237,178	257,829
—Denominated in US$	58,722	160,963
Total cash balances held at mainland PRC financial institutions	**295,900**	**418,792**
Financial institutions in Hong Kong Special Administrative Region ("HKSAR")		
—Denominated in US$	30,882	180,551
Total cash balances held at HKSAR financial institutions	**30,882**	**180,551**
Financial institutions in Japan		
—Denominated in Japanese Yen	28,544	25,265
— Denominated in United Stated Dollars ("USD")	14,720	11,030
Total cash balances held at Japan financial institutions	**43,264**	**36,295**
Financial institutions in Malaysia		
—Denominated in Malaysian Ringgit	413	842
—Denominated in US$	286	77
Total cash balances held at Malaysia financial institutions	**699**	**919**
Financial institutions in Singapore		
—Denominated in SGD	6,153	1,978
— Denominated in United Stated Dollars ("USD")	46	1,166
Total cash balances held at Singapore financial institutions	**6,199**	**3,144**
Financial institutions in Korean		
— Denominated in Korean Won ("KRW")	280	362
— Denominated in United Stated Dollars ("USD")	227	49
Total cash balances held at Korean financial institutions	**507**	**411**
Financial institutions in Mexico		
— Denominated in United Stated Dollars ("USD")	**496**	**7**
Total cash balances held at Korean financial institutions	**496**	**7**
Total cash balances held at financial institutions	**377,947**	**640,119**
Total cash balances	**377,947**	**640,119**

The bank deposits, including term deposits, with financial institutions in the mainland of the PRC and Japan are insured by the government authorities up to RMB500 and JPY10,000, respectively. The bank deposits including term deposits are insured by the government authorities with amounts up to RMB22,854 and RMB20,422 as of December 31, 2023, and 2024, respectively. The Company has not experienced any losses in uninsured bank deposits and does not believe that it is exposed to any significant risks on cash held in bank accounts. To limit exposure to credit risk, the Company primarily places bank deposits with large financial institutions in the PRC and Japan with acceptable credit rating.

(h) Restricted cash

Cash balances that have restrictions as to withdrawal or usage are considered restricted cash. Restricted cash that will be released to cash within the next 12 months is classified as current asset, while the balance restricted for use longer than one year is classified as non-current asset on the consolidated balance sheets.

(i) Term deposits

Term deposits represent deposits at banks with original maturities more than three months but less than one year. The Group's term deposits were denominated in US$ and were deposited at financial institutions in the mainland of the PRC with the interest rate of 5.13%, and 4.72% per annum as of December 31, 2023 and 2024, respectively.

Term deposits maintained at financial institutions consist of the following:

	2023 RMB	2024 RMB
US$ denominated bank deposits with financial institutions in the PRC	545,368	222,783

To limit exposure to credit risk relating to bank deposits, the Company primarily places term deposits only with large financial institutions in the PRC with acceptable credit rating.

(j) Short-term Investments

The Group's short-term investments represent the Group's investments in financial products managed by financial institutions in the PRC and Cayman which are redeemable at the option of the Group on any working day. Short-term investments are classified as available for sale debt securities and reported at fair value, with unrealized holding gains or losses, net of any related income tax effect, excluded from earnings and recorded as accumulated other comprehensive loss until realized. Realized gains or losses from the sale of short-term investments are determined on a specific identification basis and are recorded as investment income when earned.

(k) Accounts Receivable, net

Prior to January 1, 2023, the Company assesses recoverability of accounts receivable in accordance with ASC 310. Subsequent to January 1, 2023, accounts receivable is recorded at the realizable value amount, net of allowances for credit loss in accordance with ASC 326 and records the allowance for credit losses as an offset to accounts receivable. The estimated credit losses are classified as "General and administrative" in the consolidated statements of comprehensive loss. The Company assesses collectability by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when the Company identifies specific customers with known disputes or collectability issues. In determining the amount of the allowance for credit losses using probability-of-default method, the Company considers size, the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses, and other factors that may affect the Company's ability to collect from customers.

(l) Long-term investments

Equity method investments

The Group applies the equity method to account for an equity interest in an investee over which the Group has significant influence but does not own a majority equity interest or otherwise control.

Under the equity method of accounting, the Group's share of the investee's results of operations is reported as share of losses of equity method investments in the consolidated statements of comprehensive loss.

The Group recognizes an impairment loss when there is a decline in value below the carrying value of the equity method investment that is considered to be other than temporary. The process of assessing and determining whether impairment on an investment is other than temporary requires a significant amount of judgment. To determine whether an impairment is other than temporary, management considers whether it has the ability and intent to hold the investment until recovery and whether evidence indicating the carrying value of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the decline in value, any change in value subsequent to the period end, and forecasted performance of the investee.

Other equity investments

The Group elects the measurement alternative in ASC 321 and measures investments in "equity investment" at cost, adjusted for changes resulting from impairments and observable price changes in orderly transactions for identical or similar securities of the same issuer. The Group considers information in periodic financial statements and other documentation provided by the investees to determine whether observable price changes have occurred.

The Group makes a qualitative assessment considering impairment indicators to evaluate whether the equity investments without a readily determinable fair value is impaired at each reporting period, and written down to its fair value if a qualitative assessment indicates that the investment is impaired and the fair value of the investment is less than its carrying value. If an equity investment without a readily determinable fair value is impaired, the Group includes an impairment loss in net income equal to the difference between the fair value of the investment and its carrying amount.

(m) Property and Equipment, net

Property and equipment are stated at cost less accumulated depreciation and any recorded impairment.

The estimated useful lives are as follows:

Computer and office equipment	3-5 years
Furniture and fixtures	3-5 years
Motor vehicles	4-5 years
Buildings	20 years
Leasehold improvements	The shorter of lease terms and estimated useful lives

Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets.

When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value and the proceeds received thereon. Ordinary maintenance and repairs are charged to expense as incurred.

(n) Intangible Assets, net

Intangible assets purchased from third parties are initially recorded at cost and amortized on a straight-line basis over the estimated economic useful lives. The Group performs valuation of the intangible assets arising from business combination to determine the fair value to be assigned to each asset acquired. The acquired intangible assets are recognized and measured at fair value and are expensed or amortized using the straight-line approach over the estimated economic useful lives of the assets.

The estimated useful lives of intangible assets are as follows:

Software copyrights	8 years
Telecommunication business operation licenses	3-5 years
Technology	6-10 years
Non-compete arrangements	4-7 year
Customer relationship	3-10 years
Trademark	10 years
Order backlogs	1-4 years
Software	3-8 years

(o) Goodwill

Goodwill represents the excess of the purchase consideration over the acquisition date amounts of the identifiable tangible and intangible assets acquired and liabilities assumed from the acquired entity as a result of the Company's acquisitions of interests in its subsidiaries. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. In accordance with ASC 350, the Company may first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. In the qualitative assessment, the Company considers factors such as macroeconomic conditions, industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations, business plans and strategies of the reporting unit, including consideration of the impact of the COVID-19 pandemic. Based on the qualitative assessment, if it is more likely than not that the fair value of a reporting unit is less than the carrying amount, the quantitative impairment test is performed. The Company may also bypass the qualitative assessment and proceed directly to perform the quantitative impairment test.

The Company performs the quantitative impairment test by comparing the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount of a reporting unit exceeds its fair value, the amount by which the carrying amount exceeds the reporting unit's fair value is recognized as impairment. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, allocation of assets, liabilities and goodwill to reporting units, and determination of the fair value of each reporting unit.

(p) Impairment of Long-lived Assets

Long-lived assets such as property and equipment and intangible assets with finite lives are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be fully recoverable or that the useful life is shorter than the Group had originally estimated. When these events occur, the Group evaluates the impairment for the long-lived assets by comparing the carrying value of the assets to an estimate of future undiscounted cash flows expected to be generated from the use of the assets and their eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying value of the assets, the Group recognizes an impairment loss based on the excess of the carrying value of the assets over the fair value of the assets.

(q) Value Added Taxes

The Company's PRC subsidiaries are subject to value added tax ("VAT"). Revenue from providing cloud communication services and communication devices sales are generally subject to VAT at the rate of 6% and 13% since April 1, 2019, or 6% to 16% between May 1, 2018 and April 1, 2019, and subsequently paid to PRC tax authorities after netting input VAT on purchases. The excess of output VAT over input VAT is reflected in accrued expenses and other current liabilities, and the excess of input VAT over output VAT is reflected in prepayments and other current assets in the consolidated balance sheets.

(r) Fair Value Measurements

Fair value represents the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

Accounting guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Accounting guidance establishes a three-level fair value hierarchy and requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs are:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2—Include other inputs that are directly or indirectly observable in the marketplace.
Level 3—Unobservable inputs which are supported by little or no market activity.

Accounting guidance also describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

Financial assets and liabilities of the Group primarily consist of cash, restricted cash, term deposits, short-term investments, accounts receivable - third parties, net, accounts receivable - related parties, net, other receivables included in prepayments and other current assets, long-term investment, amounts due from related parties, accounts payable, contract liabilities, other payables included in accrued expenses and other current liabilities. The Group measures short-term investments at fair value on a recurring basis. Short-term investments include financial products issued by financial institutions, which are valued based on prices per units quoted by issuers and are categorized in Level 2 of the fair value hierarchy.

The Group's non-financial assets, such as intangible assets and property and equipment, would be measured at fair value only if they were determined to be impaired.

(s) Revenue recognition

The Group accounts for its revenue contracts in accordance with ASC Topic 606, Revenue from Contracts with Customers (ASC 606). According to ASC 606, revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services. The Group determines revenue recognition through the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

The Group generate substantially all of the Group's revenues from the following services and products:

(1) Communication Platform-as-a-Service ("CPaaS") which allows customers to send text messages and place voice calls using the Company's cloud-based platform;

(2) Cloud-based Contact Centers ("Cloud-based CC") with which customers can operate their virtual contact centers and access related value-added services using the Company's cloud-based platform; and

(3) Cloud-based Unified Communications and Collaborations ("Cloud-based UC&C") where the Company creates customized communications software on customers' private clouds to meet their specific needs and deliver the software licenses to customers.

The Company recognizes revenue upon the transfer of control of promised products or services provided to the Company's customers, in the amount of consideration the Company expect to receive for those products or services (excluding sales taxes collected on behalf of government authorities). The Company's revenue contracts generally do not include a right of return in relation to the delivered products or services.

The timing of revenue recognition may differ from the timing of invoicing to the Company's customers. The Company record a contract asset when revenue is recognized prior to invoicing, and a contract liability when payment is received from a customer in advance of revenue recognition. The Company generally issue invoices based on contract terms, which may be when the services are completed, upon customer acceptance of the Company's deliverables or at preset milestones. Payments are due with standard payment terms which are generally not more than 90 days from invoice issuance.

We recognize the incremental costs of obtaining contracts as selling, general and administrative expenses when incurred if the amortization period of the asset that otherwise would have been recognized is one year or less. Assets recognized for costs to obtain a contract were not material as of December 31, 2024. Costs to fulfill a contract are recorded as assets if they relate directly to a contract or a specific anticipated contract, the costs generate or enhance resources that will be used in satisfying performance obligations in the future and the costs are expected to be recovered. Costs to fulfill a contract recognized as assets primarily consist of labor and materials costs and generally relate to engineering and set-up costs incurred prior to the satisfaction of performance obligations. Assets recognized for costs to fulfill a contract are included in the "Prepaid expenses and other current assets" line of the consolidated balance sheets and were not material as of December 31, 2024. Such assets are recognized as expenses as we transfer the related goods or services to the customer. All other costs to fulfill a contract are expensed as incurred.

As of December 31, 2024, there were no material amounts of remaining performance obligations that are required to be disclosed. As permitted by ASC 606, we have elected not to disclose information about remaining performance obligations where i) the performance obligation is part of a contract that has an original expected duration of one year or less or ii) when we recognize revenue from the satisfaction of the performance obligation in accordance with the right-to-invoice practical expedient.

CPaaS revenues

The Company accounts for revenue from customers' usage of text message and voice call services on the Company's CPaaS platform as two separate performance obligations. The Company's service fees are determined by applying the contractual unit price to the monthly usage volume of text messages sent or minutes of voice calls placed and a contractual monthly fixed charge per subscriber multiplied by the number of subscribers recorded by the Company's CPaaS platform where relevant. The cloud-based services to send text messages and place voice calls are sold separately to customers with observable standalone selling prices.

The Company also provides services as an agent in provision of CPaaS platforms to customers. The Company identified one performance obligation and recognized the revenues, on a monthly basis, at the amount equal to the difference between the amount charged to the customers and the amount charged by telecommunication operators. The gross amount of revenue from services as an agent was RMB89 million, 69million and RMB50 million for the years ended December 31, 2022, 2023 and 2024, respectively. The net amount of revenue from services as an agent was RMB14 million, RMB16 million and RMB15 million for the years ended December 31, 2022, 2023 and 2024, respectively.

The service contracts are generally with a length between 3 and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide the customer with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant the Company or customers a unilateral right to terminate the contracts before completion.

Cloud-based CC revenues

Customers subscribe to the Company's basic Cloud-based CC services at a fixed monthly fee and pay for other value-added services on a usage basis. The Company recognizes the monthly service fees ratably over the contract period during which the Company is obligated to grant customers continuous access to those basic Cloud-based CC services. Revenue for other value-added services on top of the basic subscription is determined by applying the contractual unit price to the monthly usage volume and recognized when the related services are provided to customers. The basic subscription is sold to customers at the same price with or without the value-added services, so the transaction price is allocated on the basis of observable stand-alone selling prices.

The service contracts are generally with a length between 3 and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide customers with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant the Company or customers a unilateral right to terminate the contracts before completion.

The Company also offers customized Cloud-based CC solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. The Company has identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized CC license and other highly interdependent and interrelated services, and has accounted for the promise as one combined performance obligation. The Company applies an iterative process to design, test and implement the software in customers' IT environment and recognizes revenue for this performance obligation over a period of time during which the control of the customized Cloud-based CC solution is progressively transferred to the customers. The Company uses an input method to estimate progress, based on the proportion of the labour hours incurred relative to the estimated total labour hours. The Company also offers standard or non-complex cloud-based CC solutions to customers, and has identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. The Company's Cloud-based CC contracts generally include a standard assurance-type warranty.

Cloud-based UC&C revenues

The Company offers customized Cloud-based UC&C solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. The Company has identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized UC&C license and other highly interdependent and interrelated services, and has accounted for the promise as one combined performance obligation. The Company applies an iterative process to design, test and implement the software in customers' IT environment and recognizes revenue for this performance obligation over a period of time during which the control of the customized UC&C solution is progressively transferred to the customers. The Company uses an input method to estimate progress, based on the proportion of the labour hours incurred relative to the estimated total labour hours. The Company also offers standard or non-complex cloud-based UC&C solutions to customers, and has identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. Our cloud-based UC&C contracts generally include a standard assurance-type warranty.

(t) Cost of Revenues

Cost of revenues mainly consists of payroll and related costs for employees, communication service expense associated with the use of facilities and equipment by these employees, such as rental and depreciation expenses, communication service expense charges to telecom operators or its distributors and cloud service fees to cloud service providers.

(u) Research and Development Expenses

Research and development expenses mainly consist of payroll and related costs for employees involved in researching in the field of cloud communication, and outsourced design expenses as well as expenses associated with the use by these functions of facilities and equipment, such as rental and depreciation expenses. Research and development expenses are expensed as incurred in accordance with ASC 730 amounted to RMB326,513 RMB222,538 and RMB177,000 for the years ended December 31, 2022, 2023 and 2024, respectively.

(v) Selling and Marketing Expenses

Selling and marketing expenses mainly consist of advertising expenses, promotion expenses, payroll and related expenses for personnel engaged in selling and marketing activities and expenses associated with the use by these functions of facilities and equipment, such as rental and depreciation expenses. Advertising expenses are expensed when incurred and are included in selling expenses in the consolidated statements of comprehensive loss. For the years ended December 31, 2022, 2023 and 2024, the advertising expenses were RMB52,716, RMB42,885 and RMB39,154 respectively.

(w) General and Administrative Expenses

General and administrative expenses mainly consist of payroll and related costs for employees involved in general corporate functions, expenses associated with the use of facilities and equipment by these employees, such as rental and depreciation expenses, professional fees and other general corporate expenses.

(x) Share-based Compensation

The Group applied ASC 718, *Compensation-Stock Compensation* ("ASC 718"), to account for its employee share-based payments. Share-based awards granted to the founders and employees in the form of restricted shares are measured at the grant date fair value of the awards, and are recognized as compensation expense using the graded-vesting schedules over the requisite service period for each separately vesting portion (or tranche) of the award. The Group elects to recognize the effect of forfeitures in compensation cost when they occur. To the extent the required vesting conditions are not met resulting in the forfeiture of the share-based awards, previously recognized compensation expense relating to those awards is reversed.

Share-based compensation in relation to the restricted ordinary shares is measured based on the fair value of the Company's ordinary shares at the grant date of the award, which is estimated using the income approach and equity allocation method. Estimation of the fair value of the Company's ordinary shares involves significant assumptions that might not be observable in the market, and a number of complex and subjective variables, discount rate, risk-free interest rate and subjective judgments regarding the Company's projected financial and operating results, its unique business risks, the liquidity of its ordinary shares and its operating history and prospects at the time the grants are made. Share-based compensation in relation to the share options is estimated using the binominal option pricing model. The determination of the fair value of share options is affected by the fair value of the Company's ordinary shares as well as the assumptions regarding a number of complex and subjective variables, including the expected share price volatility, risk-free interest rate, exercise multiple and expected dividend yield. The fair value of these awards was determined by management with the assistance from a valuation report prepared by an independent valuation firm using management's estimates and assumptions.

A change in any of the terms or conditions of share-based awards is accounted for as a modification of the awards. The Company calculates incremental compensation cost of a modification as the excess of the fair value of the modified awards over the fair value of the original awards immediately before its terms are modified at the modification date. For vested awards, the Company recognizes incremental compensation cost in the period the modification occurs. For awards not being fully vested, the Company recognizes the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original awards over the remaining requisite service period after modification.

(y) Employee Benefits

The Company's subsidiaries and the VIE and VIE's subsidiaries in the PRC participate in a government mandated, multi-employers, defined contribution plan, pursuant to which certain retirement, medical, housing and other welfare benefits are provided to employees. PRC labor laws require the entities incorporated in the PRC to pay to the local labor bureau a monthly contribution calculated at a stated contribution rate on the monthly basic compensation of qualified employees. The Company also makes payments to other defined contribution plans and defined benefit plans for the benefit of employees employed by the subsidiary of Japan. The Group has no further commitments beyond its monthly contribution. Employee social benefits included as expenses in the accompanying consolidated statements of comprehensive loss amounted to RMB104,722, RMB86,198 and RMB65,998 for the years ended December 31, 2022, 2023 and 2024, respectively.

(z) Income Taxes

The Company follows the asset and liability method in according for income taxes in according to ASC topic 740 "Taxation" ("ASC 740"), Income Taxes, under this method, current income taxes are provided on the basis of income before income taxes for financial reporting purposes, and adjusted for income and expense items which are not assessable or deductible for income tax purposes, deferred income taxes are provided using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the tax effects of temporary differences and are determined by applying enacted statutory tax rates that will be in effect in the period in which the temporary differences are expected to reverse to the temporary differences between the financial statements' carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided to reduce the amount of deferred income tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred income tax assets will not be realized. The effect on deferred income taxes arising from a change in tax rates is recognized in the consolidated statements of comprehensive loss in the period of change.

The Company adopts ASC740 to account for uncertainty in income taxes. ASC740 clarifies a "more likely than not" recognition threshold in the evaluation of uncertain tax positions. The Group recognizes the benefit of a tax position in its consolidated financial statements if the tax position is "more likely than not" to prevail based on the facts and technical merits of the position. Tax positions that meet the "more likely than not" recognition threshold is measured at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. Unrecognized tax benefits may be affected by changes in interpretation of laws, rulings of tax authorities, tax audits, and expiry of statutory limitations. In addition, changes in facts, circumstances and new information may require the Group to adjust the recognition and measurement estimates with regard to individual tax positions. Accordingly, unrecognized tax benefits are periodically reviewed and re-assessed. Adjustments, if required, are recorded in the Group's consolidated financial statements in the period in which the change that necessities the adjustments occur. The ultimate outcome for a particular tax position may not be determined with certainty prior to the conclusion of a tax audit and, in certain circumstances, a tax appeal or litigation process. The Group records interest and penalties related to unrecognized tax benefits (if any) in interest expenses and general and administrative expenses, respectively. As of December 31, 2023 and 2024, the Group did not have any significant unrecognized uncertain tax positions.

(aa) Operating Leases

The Company adopted ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02") from January 1, 2022 by using the modified retrospective method and did not restate the comparable periods. The Company has elected the package of practical expedients, which allows the Company not to reassess (1) whether any expired or existing contracts as of the adoption date are contain a lease, (2) lease classification for any expired or existing leases as of the adoption date and (3) initial direct costs for any expired or existing leases as of the adoption date. The Company also elected the short-term lease exemption for all contracts with lease terms of 12 months or less.

The Company determines if an arrangement is a lease or contains a lease at lease inception. Leases are classified at the inception date as either as a finance lease or an operating lease. The Company classifies a lease as a finance lease when the lease meets any one of the following criteria at lease commencement:

a. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.

b. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

c. The lease term is for a major part of the remaining economic life of the underlying asset.

d. The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments equals or exceeds substantially all of the fair value of the underlying asset.

e. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the Company at the end of the lease term.

For operating leases, the Company recognizes an ROU asset and a lease liability based on the present value of the lease payments over the lease term on the consolidated balance sheets at commencement date. At lease commencement, operating lease ROU assets represent the right to use underlying assets for their respective lease terms and are recognized at amounts equal to the lease liabilities adjusted for any lease payments made prior to the lease commencement date, less any lease incentives received and any initial direct costs incurred by the Company.

After lease commencement, operating lease liabilities are measured at the present value of the remaining lease payments using the discount rate determined at lease commencement.

Operating lease ROU assets are measured at the amount of the lease liabilities and further adjusted for prepaid or accrued lease payments, the remaining balance of any lease incentives received, unamortized initial direct costs and impairment of the ROU assets, if any. Operating lease expense is recorded as a single cost on a straight-line basis over the lease term.

The Company's leases do not provide an implicit rate, the Company estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located.

(bb) Foreign Currency Translation and Foreign Currency Risks

The Company's reporting currency is RMB. The functional currency of the Company and its subsidiary incorporated at Hong Kong S.A.R. is the US$. The functional currency of the Company's subsidiary incorporated at Japan is JPY. The functional currency of the Company's PRC subsidiary, the VIE and the VIE's subsidiaries is RMB.

Transactions denominated in currencies other than the functional currency are remeasured into the functional currency at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in a foreign currency are remeasured into the functional currency using the applicable exchange rate at the balance sheet date. The resulted exchange differences are recorded as foreign currency exchange gains (losses), net in the consolidated statements of comprehensive loss.

The financial statements of the Company, its subsidiary incorporated at Hong Kong S.A.R. and its subsidiary incorporated at Japan are translated from the functional currency into RMB. Assets and liabilities are translated into RMB using the applicable exchange rates at the balance sheet date. Equity accounts other than earnings (deficits) generated in the current period are translated into RMB using the appropriate historical rates. Revenues, expenses, gains and losses are translated into RMB using the average exchange rates for the relevant period. The resulted foreign currency translation adjustments are recorded as a component of other comprehensive loss in the consolidated statements of comprehensive loss, and the accumulated foreign currency translation adjustments are recorded as a component of accumulated other comprehensive loss in the consolidated statements of changes in shareholders' deficit.

RMB is not a freely convertible currency. The PRC State Administration for Foreign Exchange, under the authority of the PRC government, controls the conversion of RMB to foreign currencies. The value of RMB is subject to changes of central government policies and international economic and political developments affecting supply and demand in the PRC foreign exchange trading system market.

(cc) Concentration and Risk

Concentration of customers and suppliers

No customers individually represent greater than 10.0% of total revenues of the Group during the years ended December 31, 2022, 2023 and 2024.

One supplier represents 11.1% of total purchases of the Group during the year ended December 31,2022. Two supplier represents 14.7% and 13.4% of total purchases of the Group during the year ended December 31, 2023, respectively. One supplier represents 19.6% of total purchases of the Group during the year ended December 31,2024.

Two customers represent 15.4% and 13.8% of total accounts receivable, net including related party amounts and contract assets of the Group as of December 31, 2023, respectively. One customer represents 16.6% of total accounts receivable, net including related party amounts and contract assets of the Group as of December 31, 2024.

Two suppliers represent 14.7% and 11.3% of total accounts payable of the Group as of December 31, 2023, respectively. Two suppliers represent 13.3% and 12.4% of total accounts payable of the Group as of December 31, 2024, respectively.

One customer represents 10.2% of total contract liabilities of the Group as of December 31, 2023. No customers individually represent greater than 10.0% of total contract liabilities of the Group as of December 31, 2024.

One supplier individually represents 21.0% of prepayments and other current assets excluding related party amounts of the Group as of December 31, 2023. Two suppliers represent 20.8% and 10.8% of prepayments and other current assets excluding related party amounts of the Group as of December 31, 2024, respectively.

Concentration of credit risk

Financial instruments that potentially expose the Group to concentrations of credit risk consist principally of cash, restricted cash, term deposits, short-term investments and accounts receivable. The total amount of these financial instruments was RMB1,494 million and RMB1,285 million as of December 31, 2023 and 2024.

The Group's investment policy requires cash, restricted cash, term deposits and short-term investments to be placed with high-quality financial institutions and to limit the amount of credit risk from any one issuer. The Group regularly evaluates the credit standing of the counterparties or financial institutions.

The Group conducts credit evaluations on its customers prior to delivery of goods or services. The assessment of customer creditworthiness is primarily based on historical collection records, research of publicly available information and customer on-site visits by senior management. Based on this analysis, the Group determines what credit terms, if any, to offer to each customer individually. If the assessment indicates a likelihood of collection risk, the Company will not deliver the services or sell the products to the customer or require the customer to pay cash, post letters of credit to secure payment or to make significant down payments.

Interest rate risk

The Group's short-term bank borrowings bears interests at fixed rates. If the Group were to renew these loans, the Group might be subject to interest rate risk.

(dd) Loss per Share

In accordance with ASC 260, *Earnings per Share,* basic income (loss) per share is computed by dividing net income (loss) attributable to ordinary shareholders by the weighted average number of ordinary shares and participating securities during the period, considering the accretions to redemption value of the preferred shares, by the weighted average number of ordinary shares outstanding during the year using the two-class method. Under the two-class method, any net income is allocated between ordinary shares and other participating securities based on their participating rights. A net loss is not allocated to participating securities when the participating securities does not have contractual obligation to share losses.

The Company's preferred shares and restricted ordinary shares are participating securities. The preferred shares are participating securities as they participate in undistributed earnings on an as-if-converted basis and the restricted ordinary shares are participating securities as the holders of the restricted ordinary shares have a non-forfeitable right to receive dividends with all ordinary shares. Neither the preferred shares nor the restricted ordinary shares has a contractual obligation to fund or otherwise absorb the Group's losses. Accordingly, any undistributed net income is allocated on a pro rata basis to the ordinary shares, preferred shares and restricted ordinary shares; whereas any undistributed net loss is allocated to ordinary shares only.

Unvested restricted ordinary shares are excluded from the weighted average number of ordinary shares outstanding because the restricted ordinary shareholders must return the restricted ordinary shares to the Company, if the specified condition are not met.

Diluted loss per share is calculated by dividing net loss attributable to ordinary shareholders, as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of shares issuable upon the conversion of the preferred shares and shares issuable upon the exercise of warrants, and ordinary shares issuable upon the vest of restricted ordinary shares or exercise of outstanding share option (using the treasury stock method). Ordinary equivalent shares are calculated based on the most advantageous conversion rate or exercise price from the standpoint of the security holder. Ordinary equivalent shares are not included in the denominator of the diluted loss per share calculation when inclusion of such shares would be anti-dilutive.

(ee) Segment Reporting

The Company's chief operating decision maker has been identified as the chief executive officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. For the purpose of internal reporting and management's operation review, the Company's chief executive officer and management personnel do not segregate the Group's business by product or service. All products and services are viewed as in one and the only operating segment.

(ff) Treasury Stock

The Company accounts for treasury stock using the cost method. Under this method, the cost incurred to purchase the stock is recorded in the treasury stock account on the consolidated balance sheets. At retirement of the treasury stock, the ordinary shares account is charged only for the aggregate par value of the shares. The excess of the acquisition cost of treasury stock over the aggregate par value is allocated between additional paid-in capital and retained earnings.

(gg) Statutory Reserves

In accordance with the PRC Company Laws, the Group's PRC subsidiary, VIE and VIE's subsidiaries must make appropriations from their after-tax profits as determined under the generally accepted accounting principles in the PRC ("PRC GAAP") to non-distributable reserve funds including statutory surplus fund and discretionary surplus fund. The appropriation to the statutory surplus fund must be 10% of the after-tax profits as determined under PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of the PRC companies. Appropriation to the discretionary surplus fund is made at the discretion of the PRC companies.

The statutory surplus fund and discretionary surplus fund are restricted for use. They may only be applied to offset losses or increase the registered capital of the respective companies. These reserves are not allowed to be transferred to the Company by way of cash dividends, loans or advances, nor can they be distributed except for liquidation.

During the years ended December 31, 2023 and 2024, no profit appropriation to statutory surplus fund for the Group's entities incorporated in the PRC. No appropriation to discretionary surplus fund was made for any of the periods presented by the Group's PRC subsidiary, VIE and VIE's subsidiaries.

(hh) Impact of newly adopted accounting pronouncement

In September 2022, the FASB issued ASU 2022-04, *Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*, which require a buyer in a supplier finance program disclose qualitative and quantitative information about the supplier finance program. The amendments do not affect the recognition, measurement, or financial statement presentation of obligations covered by supplier finance programs. The new guidance is required to be applied retrospectively to each period in which a balance sheet is presented, except for the amendment on rollforward information, which should be applied prospectively. This guidance is effective for the Company for the year ending December 31, 2024 and interim reporting periods during the year ending December 31, 2024. Early adoption is permitted. The Company adopted this guidance for the fiscal year ended December 31, 2024 with no material impact on the Company's consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The ASU expands public entities' segment disclosures by requiring disclosure of significant segment expenses that are regularly reviewed by the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items, and interim disclosures of a reportable segment's profit or loss and assets. The ASU also allows, in addition to the measure that is most consistent with U.S. GAAP, the disclosure of additional measures of segment profit or loss that are used by the CODM in assessing segment performance and deciding how to allocate resources. The ASU is effective for the Company's Annual Report on Form 20F for the fiscal year ended December 31, 2024, and subsequent interim periods, with early adoption permitted. The Company adopted this guidance for the fiscal year ended December 31, 2024 with no material impact on the Company's consolidated financial statements.

(ii) Recently issued accounting pronouncements not yet adopted

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. This guidance also requires certain disclosures for equity securities subject to contractual sale restrictions. The new guidance is required to be applied prospectively with any adjustments from the adoption of the amendments recognized in earnings and disclosed on the date of adoption. This guidance is effective for the Company for the year ending December 31, 2025 and interim reporting periods during the year ending December 31, 2025. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the group's consolidated financial statements.

In March 2023, the FASB issued ASU No. 2023-02, *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*, that is intended to improve the accounting and disclosures for investments in tax credit structures. This ASU allows reporting entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for all entities in any interim period. The adoption of ASU 2023-02 is not expected to have any impact on the Company's consolidated financial statements.

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*. This standard was issued in response to the SEC's disclosure update and simplification initiative, which affects a variety of topics within the Accounting Standards Codification. The amendments apply to all reporting entities within the scope of the affected topics unless otherwise indicated. The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The Company is currently evaluating the impact this guidance will have on its financial statement disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which improves income tax disclosures. The amendments require the disclosure of specific categories in the rate reconciliation and additional information for reconciling items that meet a quantitative threshold. The amendments also require disaggregated information about the amount of income taxes paid (net of refunds received), Income (or loss) from continuing operations before income tax expense (or benefit) and Income tax expense (or benefit) from continuing operations. The new guidance is required to be applied either prospectively or retrospectively. This guidance is effective for the Company for the year ending March 31, 2026. Early adoption is permitted. The Company is evaluating the impact of the adoption of this guidance.

In March 2024, the Securities and Exchange Commission issued *The Enhancement and Standardization of Climate - Related Disclosures for Investors,* which requires entities to provide information of certain climate - related information. This update will be effective for the Company's fiscal years beginning in 2027. The Company is currently in the process of evaluating the disclosure impact.

In November 2024, the FASB issued ASU2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. The standard will require additional disclosure of the nature of expenses included in the income statement in response to longstanding requests from investors for more information about an entity's expenses. The new standard requires disclosures about specific types of expenses included in the expense captions presented on the face of the income statement as well as disclosures about selling expenses. ASU2024-03 applies to all public business entities and is effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods within annual reporting periods beginning after December 15, 2027. The requirements will be applied prospectively with the option for retrospective application. Early adoption is permitted. We are evaluating this standard to determine if adoption will have a material impact on our consolidated financial statements.

3. BUSINESS ACQUISITION

The Company accounted for its acquisition in accordance with ASC 805, "Business Combination" ("ASC 805"). The result of the acquiree's operation has been included in the consolidated financial statements since the acquisition date. The excess of the fair value of the consideration transferred over the fair value of net tangible and intangible assets acquired was recorded as goodwill, which is not deductible for corporate income taxation purposes.

a) Acquisition of EliteCRM

On March 10, 2021, the Company entered into a definitive agreement to acquire all the equity interests of EliteCRM in exchange for RMB180 million consideration in cash. EliteCRM was a customer relationship management software provider, and the Group expected to generate synergy with the Cloud-based CC service line after the closing of acquisition. The Group obtained the control of EliteCRM business on March 22, 2021, and paid off the cash consideration for the year ended December 31, 2021.

The acquisition was recorded as a business combination. The Group determined the fair values of assets acquired and liabilities assumed for this acquisition with assistance of an independent appraiser. The goodwill resulting from the acquisition is primarily attributable to the assembled workforce and established network of customers around China. The acquired goodwill is not deductible for tax purposes. A summary of identifiable assets acquired and liabilities assumed in connection with the acquisition is as follows:

Purchase consideration:	**RMB**
cash	180,000

Recognized amounts of identifiable assets acquired and liabilities assumed:	**March 22,2021**
Cash	3,986
Accounts receivable	6,455
Prepaid expenses and other current assets	765
Property and equipment, net	4,944
Intangible assets	
Trademark	4,632
Non-compete arrangements	85
Customer relationship	15,000
Technology	4,588
Accounts payable	(5,215)
Contract liabilities	(568)
Accrued expenses and other current liabilities	(8)
Deferred income tax liability	(1,665)
Total identifiable assets acquired and liabilities assumed	32,999
Goodwill	147,001

The intangible assets consist of trademark, non-compete arrangements, customer relationship and Technology. The fair values of trademark of RMB4,632, non-competition arrangements of RMB85, customer relationship of RMB15,000 and Technology of RMB 4,588 are amortized over 8 years, 2 years, 10 years and 6 years, respectively on a straight-line basis.

Intangible assets and goodwill arising from the above acquisition was subjected to annual impairment assessment, and impairment loss of RMB8,691, nil and nil from intangible assets, and impairment loss of RMB10,107, nil and nil from goodwill was recorded for the year ended December 31 2022, 2023 and 2024, respectively (refer to Note 10, and 11).

b) Acquisition of Zhuge Inc.

On December 8, 2021, the Company entered into a share purchase agreement with all of the selling shareholders of Zhuge Inc. to acquire 100% equity interests of Zhuge Inc. in exchange for RMB93.5 million consideration in cash and 30,463 ordinary shares of the Company. Zhuge Inc. mainly provided professional data intelligence solutions, and the Group expected to generate synergy with the Cloud-based CC service line after the closing of acquisition. The Group obtained the control of Zhuge Inc. on December 22, 2021 and paid off the cash consideration of RMB93.5 million as of December 31, 2023.

The acquisition was recorded as a business combination. The Group determined the fair values of assets acquired and liabilities assumed for this acquisition with assistance of an independent appraiser. The goodwill resulting from the acquisition is primarily attributable to the assembled workforce and established network of customers around China. The acquired goodwill is not deductible for tax purposes. A summary of identifiable assets acquired and liabilities assumed in connection with the acquisition is as follows:

Purchase consideration:	**RMB**
cash	93,511
Fair value of 30,463 ordinary shares	300
	93,811

Recognized amounts of identifiable assets acquired and liabilities assumed:	**December 31, 2021**
Cash	6,551
Accounts receivable	815
Prepaid expenses and other current assets	635
Property and equipment, net	19
Intangible assets	
Trademark	2,840
Non-compete arrangements	720
Order backlogs	8,560
Customer relationship	-
Technology	6,400
Short-term loan	(5,500)
Accounts payable	(1,220)
Contract liabilities	(4,129)
Accrued expenses and other current liabilities	(12,780)
Deferred income tax liability	(4,630)
Long-term borrowings	(9,144)
Total identifiable assets acquired and liabilities assumed	(10,863)
Goodwill	104,674

The intangible assets consist of trademark, non-compete arrangements, order backlogs, customer relationship and Technology. The fair values of trademark of RMB2,840, non-competition arrangements of RM720, order backlogs of RMB8,560, and Technology of RMB6,400 are amortized over 10 years, 4 years, 4 years and 7 years, respectively on a straight-line basis.

Intangible assets and goodwill arising from the above acquisition was subjected to the annual impairment assessment, and impairment loss of RMB15,002 and RMB57,271 from intangible assets and goodwill was recorded for the year ended December 2022, respectively (refer to Note 10, and 11).

The acquisition above did not have a material impact on the Group's consolidated financial statements, and, therefore, pro forma disclosures have not been presented.

c) Acquisition of Molun SCRM

On January 26, 2022, the Company entered into a definitive agreement to acquire all the equity interests of Molun SCRM business with the cash consideration of RMB31.8 million, which was the private domain social customer relationship management ("SCRM") software provider targeting car OEMs and dealers. The Group expected to generate synergy with the Cloud-based CC service line after the closing of acquisition. The Group obtained the control of Molun SCRM business in March, 2022 and paid off the cash consideration of RMB31.8 million as of December 31, 2022.

The transaction was accounted for under the acquisition method of accounting in accordance with ASC Topic 805. The acquisition was recorded as a business combination. The Group determined the fair values of assets acquired and liabilities assumed for this acquisition with assistance of an independent appraiser. The goodwill resulting from the acquisition is primarily attributable to the assembled workforce and established network of customers around China. The acquired goodwill is not deductible for tax purposes. A summary of identifiable assets acquired and liabilities assumed in connection with the acquisition is as follows:

Purchase consideration:	**RMB**
cash	31,800

Recognized amounts of identifiable assets acquired and liabilities assumed:	**March,2022**
Prepaid expenses and other current assets	150
Intangible assets	
Order backlogs	100
Trademark	1,000
Technology	3,730
Contract liabilities	(12,002)
Deferred income tax liability	(1,207)
Total identifiable assets acquired and liabilities assumed	**(8,229)**
Goodwill	40,029

The intangible assets consist of non-compete arrangements, customer relationship and Technology. The fair values of order backlogs of RMB100, trademark of RMB1,000 and Technology of RMB3,730 are amortized over 1 year, 10 years and 9 years, respectively on a straight-line basis.

Intangible assets and goodwill arising from the above acquisition was subjected to the annual impairment assessment, and impairment loss of RMB4,318 and RMB40,029 from intangible assets and goodwill was recorded for the year ended December 31, 2022, respectively (refer to Note 10, and 11).

The acquisition above did not have a material impact on the Group's consolidated financial statements, and, therefore, pro forma disclosures have not been presented.

4. CASH AND RESTRICTED CASH

A reconciliation of cash and restricted cash in the consolidated balance sheets to the amounts in the consolidated statement of cash flows is as follows:

	December 31,	
	2023	2024
	RMB	RMB
Cash	377,947	640,119
Restricted cash	4,502	10,396
Total cash and restricted cash shown in the consolidated statements of cash flows	**382,449**	**650,515**

The balances of restricted cash were mainly related to bank deposits for performance guarantee, which were restricted for use as of December 31, 2023 and 2024, and will be released from restriction within the next 12 months.

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following:

	December 31,	
	2023	2024
	RMB	RMB
Accounts receivable - third parties	242,944	204,502
Allowance for credit loss - third parties	(99,523)	(84,128)
Accounts receivable - third parties, net	**143,421**	**120,374**
Accounts receivable – related parties	828	663
Allowance for credit loss – related parties	(124)	(274)
Accounts receivable – related parties	**704**	**389**

The movement of the allowance for credit loss including both account receivables due from third parties and a related party is as follows:

	Year ended December 31,	
Allowance for credit loss - third parties	2023	2024
	RMB	RMB
Balance at the beginning of the year	**81,242**	**99,523**
Additions charged to credit loss	18,281	(15,395)
Write-off	-	-
Balance at the end of the year	**99,523**	**84,128**

	Year ended December 31,	
Allowance for credit loss –related parties	2023	2024
	RMB	RMB
Balance at the beginning of the year	**5**	**124**
Additions charged to credit loss	119	150
Balance at the end of the year	**124**	**274**

The aging analysis table of allowance for credit loss is as follows:

	As of December 31,	
	2023	2024
	RMB	RMB
Within 1 year	(61,083)	(36,044)
Thereafter	(38,440)	(48,084)
Allowance for credit loss - third parties	**(99,523)**	**(84,128)**
Within 1 year	(124)	(274)
Allowance for credit loss - related parties	**(124)**	**(274)**

6. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as of December 31, 2023 and 2024 consisted of the following:

	December 31,	
	2023	2024
	RMB	RMB
Advance to suppliers	44,277	45,325
Deposits	13,452	11,951
Staff advances	967	848
Deductible input VAT	39,999	45,188
Receivables from third party payment platforms	1,594	550
Others	9,166	16,134
Prepayments and Other Current Assets	**109,455**	**119,996**

7. LONG-TERM INVESTMENTS

	For the year ended December 31,	
	2023	2024
	RMB	RMB
Equity method investments		
Shanghai Keshen Information Technology Co., Ltd.	13,165	13,168
Beijing Lingshang Chunding Technology Co., Ltd.	-	-
Total equity method investments	**13,165**	**13,168**
Other equity investments		
Shanghai Yuhuan Information System Co.Ltd.	18,784	18,784
Beijing Hujingtiaoyue Technology Co., Ltd.	11,000	11,000
Xinyu Hongling Investment Management Center (limited Partnership)	11,100	11,100
Total other equity investments	**40,884**	**40,884**
Total long-term investments	**54,049**	**54,052**

(a) Equity method investments

Investments in Shanghai Keshen

In November 2021, Ronglian Yitong aquired 20% equity interest of Shanghai Keshen Information Technology Co., Ltd. ("Shanghai Keshen"), which is principally engaged in technology development, technology transfer, technical consultation and technical services, at a cash consideration of RMB15 million. Ronglian Yitong has the right to appoint one out of three directors for the year ended December 31, 2021. The investments are accounted for under the equity method as Ronglian Yitong is able to exercise significant influence through its board representation. Ronglian Yitong recognized its share of loss of RMB1,969, RMB981 and share of gain of RMB3 for the year ended December 31, 2022, 2023 and 2024. The Company performed an impairment analysis in 2022, 2023 and 2024, and no impairment loss was recognized related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

Investments in Beijing Lingshang

In January 2023, Ronglian Yitong aquired 20% equity interest of Beijing Lingshang Chunding Technology Co., Ltd. ("Beijing Lingshang"), which is principally engaged in intelligent voice product development, technology transfer, technical consultation and technical services, at a cash consideration of RMB5 million. Ronglian Yitong has the right to appoint one out of three directors for the year ended December 31, 2023. The investments are accounted for under the equity method as Ronglian Yitong is able to exercise significant influence through its board representation. Ronglian Yitong recognized its share of loss RMB489 for the year ended December 31, 2023. The Company performed an impairment analysis in 2023, and recognized RMB4,511 impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

(b) Other equity investments

Investments in Hujingtiaoyue

In September 2017, Ronglian Yitong entered into a share purchase agreement to acquire 6.56% equity interest of Beijing Hujingtiaoyue Technology Co., Ltd. ("Hujingtiaoyue"), which is principally engaged in provision of artificial intelligence marketing solutions, at a cash consideration of RMB4,000. According to the shares purchase agreement, Ronglian Yitong, together with another shareholder, has the right to appoint one director. The Group accounts for its investment in Hujingtiaoyue as other equity investments since its investment is not in-substance common stock due to the liquidation preference feature, and does not have readily determinable fair value. The Group elected to measure other equity investments without a readily determinable fair value at cost adjusted for changes resulting from impairments, if any, and observable price changes in orderly transactions for the identical or similar securities of the same issuer.

In June 2018, Hujingtiaoyue entered into new financing agreements with new investors. After Hujingtiaoyue's new financing, Ronglian Yitong's equity interest in Hujingtiaoyue decreased to 5.45% and Ronglian Yitong, together with another shareholder, remains the right to appoint one director. The new financing provided an observable price for Ronglian Yitong's investment in Hujingtiaoyue and Ronglian Yitong evaluated the investment's carrying amount based on the observable price and recognized a gain of RMB100 from the change in fair value.

In May 2019, Hujingtiaoyue entered into new financing agreements with new investors. After Hujingtiaoyue's new financing, Ronglian Yitong's equity interest in Hujingtiaoyue further decreased to 4.29% and Ronglian Yitong, together with another shareholder, remains the right to appoint one director. The new financing provided an observable price for Ronglian Yitong's investments in Hujingtiaoyue and Ronglian Yitong evaluated this investment's carrying amount based on the observable price, and recognized a gain of RMB900 from the change in fair value.

In May 2021, Hujingtiaoyue conducted reorganization and setup Beijing Tanma Qifu Technolory Co., Ltd.("Beijing Tanma"), a new VIE. All shareholders of Hujingtiaoyue were transferred to Beijing Tanma, on a pro rate basis. Ronglian Yitong owned 4.29% equity interest in Beijing Tanma.

In October 2021 and December 2021, Beijing Tanma entered into new financing agreements with new investors. After Beijing Tanma's new financing, Ronglian Yitong's equity interest in Beijing Tanma further decreased to 2.45%. Since May 2021, Ronglian Yitong had no right to appoint any director due to reduction of equity interest. The new financing provided an observable price for Ronglian Yitong's investments in Hujingtiaoyue and Ronglian Yitong evaluated the investment's carrying amount based on the observable price, and recognized a gain of RMB8,000 from the change in fair value.

The new financing agreement with new investors provided the observable price for other equity investment and the fair value adjustment was determined primarily based on the market approach as of the transaction date, which takes into consideration a number of factors including recent financing pricing which shall be adjusted as similar securities to reflect difference in the rights and obligations between the equity security that was transacted and the equity security held by the Company, and discount rates from traded companies in the industry and requires the Company to make certain assumptions and estimates regarding industry factors. Specifically, some of the significant unobservable inputs
included discount of lack of marketability. The assumptions are inherently uncertain and subjective. Changes in any unobservable inputs may have a significant impact on the fair values.

In December 2022, 2023 and 2024, The Company performed impairment analysis, and recognized RMB2,000, nil and nil impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

Investments in Xinyu Hongling

In August 2021, Ronglian Yitong and other third party entities set up a limited partnership, Xinyu Hongling Investment Management Center (limited partnership) ("Xinyu Hongling"), which is mainly engaged in investment management and asset management, with a subscribed capital of RMB150 million. Xinyu Hongling's fund is used to invest in Xicheng Zhiyuan Digital Power Selection (Beijing) Investment Center (Limited Partnership) ("Xicheng Zhiyuan"), with a target subscription amount of RMB751 million. The subscribed capital contribution of Ronglian Yitong is RMB20,000, accounting for 13.33% and 2.66% of the registered capital of Xinyu Hongling and Xicheng Zhiyuan. According to the investment agreement, Ronglian Yitong does not have the right to appoint any directors. The Group accounts for its investment in Xinyu Hongling as other equity investments since its investment is not in-substance common stock due to the liquidation preference feature, and does not have readily determinable fair value. The Group elected to measure other equity investments without a readily determinable fair value at cost adjusted for changes resulting from impairments, if any, and observable price changes in orderly transactions for the identical or similar securities of the same issuer.

In December 2022, 2023 and 2024, the Company performed an impairment analysis, and recognized RMB5,400 and RMB3,500 and nil impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

Investments in Shanghai Yuhuan

The Company performed impairment analysis for Shanghai Yuhuan Information System Co., Ltd. ("ShanghaiYuhuan") in 2022, 2023 and 2024, and recognized nil impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value. To estimate the fair value of investment in Shanghai Yuhuan, the Company used discounted cash flow model ("DCF Model"), which is based on the fair value of the entire invested capital of Shanghai Yuhuan using an income approach. The significant inputs for the valuation model include, but not limited to, future cash flows, discount rate, and the comparable selection set of companies operating in similar businesses.

8. PROPERTY AND EQUIPMENT, NET

Property and equipment as of December 31, 2023 and 2024 consisted of the following:

	December 31,	
	2023	2024
	RMB	RMB
Computer and office equipment	22,045	22,836
Furniture and fixtures	2,855	2,661
Motor vehicles	938	938
Leasehold improvement	3,431	5,448
Buildings	4,702	4,702
Property and Equipment	33,971	36,585
Less: Accumulated depreciation	23,586	28,412
Property and Equipment, net	10,385	8,173

Depreciation expenses were RMB5,304, RMB5,383 and RMB4,992 for the years ended December 31, 2022, 2023 and 2024, respectively.

Depreciation expenses on property and equipment were allocated to the following expense items:

	Year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Cost of revenues	22	279	106
Research and development expenses	1,403	2,019	1,787
Selling and marketing expenses	2,158	1,299	1,712
General and administrative expenses	1,721	1,786	1,387
Total depreciation expenses	**5,304**	**5,383**	**4,992**

9. Lease

The Group has entered into various non-cancellable operating lease agreements for certain offices. The Group determines if an arrangement is a lease, or contains a lease, at inception and record the leases in the financial statements upon lease commencement, which is the date when the underlying asset is made available for use by the lessor.

The balances for the operating and finance leases where the Group is the lessee are presented as follows within the consolidated balance sheet:

	For the year ended December 31,		
Operating leases:	2023	2024	
Assets:	RMB(000)	RMB(000)	US$(000)
Right-of-use assets - operating lease	13,992	10,800	1,480
Liability:			
Current portion of operating lease liabilities	10,300	5,843	801
Non-current operating lease liabilities	2,164	4,731	648
Total operating lease liabilities	**12,464**	**10,574**	**1,449**

The components of lease expenses were as follows:

	For the year ended December 31,		
	2023	2024	
Lease Cost	**RMB(000)**	**RMB(000)**	**US$(000)**
Amortization of right-of-use assets	14,437	9,769	1,338
Interest of operating lease liabilities	3,210	2,719	373
Expenses for short-term leases within 12 months and other non-lease component	2,022	1,281	175
Total lease cost	**19,669**	**13,769**	**1,886**

As of December 31, 2023 and 2024, the weighted average remaining lease term was 1.28 and 2.32 years and weighted average discount rate was 5.49% and 5.93% for the Company's operating leases.

For the year ended December 31, 2022, 2023 and 2024, the Company recognized lease expense of RMB26,954, RMB19,669 and RMB13,769, respectively, under ASC 840.

Supplemental cash flow information related to leases where we are the lessee is as follows:

	For the year ended December 31,		
	2023	2024	
	RMB(000)	**RMB(000)**	**US$(000)**
Cash payments for operating leases	20,582	14,331	1,963
ROU assets obtained in exchange for operating lease liabilities	7,825	11,634	1,594

As of Dec 31, 2024, the maturities of our operating are as follows:

	Operating Lease	
Year ending December 31.	**RMB(000)**	**US$(000)**
2025	7,849	1,075
2026	4,219	578
2027	1,321	181
Total future lease payments	**13,389**	**1,834**
Less: Imputed interest	2,815	385
Total lease liability balance	**10,574**	**1,449**

As of Dec 31, 2023, the maturities of our operating are as follows:

	Operating Lease	
Year ending December 31.	**RMB**	**US$**
2024	11,255	1,585
2025	2,320	327
Total future lease payments	**13,575**	**1,912**
Less: Imputed interest	1,111	156
Total lease liability balance	**12,464**	**1,756**

10. INTANGIBLE ASSETS, NET

The following table summarizes the Company's intangible assets, as of December 31, 2023 and 2024.

	December 31, 2023				
	Gross carrying amount	**Accumulated amortization**	**Accumulated impairment**	**Net carrying amount**	**Weighted average amortization Period**
	RMB	**RMB**	**RMB**	**RMB**	**Years**
Software copyrights	16,860	(11,627)	-	5,233	7.2
Telecommunication business operation licenses	2,882	(2,819)	-	63	4.0
Technology	14,865	(3,027)	(10,474)	1,364	7.2
Non-compete arrangements	805	(260)	(545)	-	3.8
Customer relationship	15,000	(3,448)	(5,586)	5,966	10.0
Trademark	8,472	(1,698)	(5,106)	1,668	8.9
Order backlogs	8,660	(2,223)	(6,437)	-	7.2
Total	**67,544**	**(25,102)**	**(28,148)**	**14,294**	

	December 31, 2024				
	Gross carrying amount	**Accumulated amortization**	**Accumulated impairment**	**Net carrying amount**	**Weighted average amortization Period**
	RMB	**RMB**	**RMB**	**RMB**	**Years**
Software copyrights	16,816	(12,687)	-	4,129	7.0
Telecommunication business operation licenses	2,882	(2,839)	-	43	4.0
Technology	14,865	(3,447)	(10,474)	944	7.0
Non-compete arrangements	805	(260)	(545)	-	4.0
Customer relationship	15,000	(4,271)	(5,586)	5,143	10.0
Trademark	8,472	(2,016)	(5,106)	1,350	9.0
Order backlogs	8,660	(2,223)	(6,437)	-	4.0
Total	**67,500**	**(27,743)**	**(28,148)**	**11,609**	

Amortization expenses for intangible assets were RMB8,589, RMB3,392 and RMB2,641 for the years ended December 31, 2022, 2023 and 2024, respectively.

The estimated amortization expense for the next five years is as follows:

	RMB
2025	1,610
2026	1,606
2027	1,292
2028	1,188
2029	950
Then thereafter	4,963

11. GOODWILL

The change in the carrying amount of goodwill by reporting unit is as follows:

	Acquisition of			
	Guohebing	Zhuge Inc.	Molun SAAS	Total
	RMB	RMB	RMB	RMB
Balance as of December 31, 2021	**64,534**	**57,271**	**-**	**121,805**
Additions	-	-	40,029	40,029
Impairment	(10,107)	(57,271)	(40,029)	(107,407)
Balance as of December 31, 2022	**54,427**	**-**	**-**	**54,427**
Additions	-	-	-	-
Impairment	-	-	-	-
Balance as of December 31, 2023	**54,427**	**-**	**-**	**54,427**
Additions	-	-	-	-
Impairment	-	-	-	-
Balance as of December 31, 2024	**54,427**	**-**	**-**	**54,427**

In the annual goodwill impairment assessment, the Company concluded that the carrying amounts of these reporting units exceeded their respective fair values and recorded impairment losses of RMB107.4 million, nil and nil during the years ended December 31, 2022, 2023 and 2024, respectively. The fair value of these reporting units was determined using the market value approach.

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31,	
	2023	2024
	RMB	RMB
Accrued payroll and social insurance	53,679	42,547
Taxes payable	29,666	32,383
Deposits of BNY MELLON	33,078	19,016
Deposits	406	218
Staff reimbursements	5,727	4,915
Other payables	1,984	1,930
Accrued expenses and other current liabilities	**124,540**	**101,009**

13. SHARE-BASED COMPENSATION

Restricted ordinary shares

On August 28, 2019, 8,154,893 ordinary shares held by Cloopen Co., Ltd., which is wholly owned by Mr. Sun Changxun, became restricted with a graded vesting as to 1/3 of the restricted ordinary shares vest on the first anniversary of August 28, 2019 and with the remaining 2/3 of the restricted ordinary shares vesting evenly over the next two years. Such restricted shares are also subject to immediate vesting upon the Company's completion of a qualified IPO. The fair value of the shares of US$9,827 are amortized to consolidated statements of comprehensive loss over the vesting term of three years.

In January 2021, the Company adopted a second share option Plan ("2021 Share Plan"), under which the maximum aggregate number of Class A ordinary shares that may be issued pursuant to all awards under such plan is 15,144,221. The ordinary shares became restricted with a vesting schedule of four years. Under the 2021 Share Plan, 5,898,500 ordinary shares were granted to employees for the year 2021.

In March 2021, the Company offered certain management members of EliteCRM 2,411,177 ordinary shares, which become restricted with a graded vesting as to 1/2 of the restricted ordinary shares vest on the first anniversary of March 22, 2022 and with the remaining 1/2 of the restricted ordinary shares vesting on March 22, 2023. The fair value of the shares of US$23,883 are amortized to consolidated statements of comprehensive loss over the vesting term of two years.

A summary of the Company's restricted ordinary shares held by the Company's employees for the years ended December 31, 2023 and 2024 is presented below:

	Number of shares	Weighted average grant date fair value
Unvested as of January 1, 2023	**4,976,485**	**3.20**
Granted	860,000	0.29
Vested	(2,001,838)	1.07
Forfeited	(1,031,670)	1.04
Unvested as of December 31, 2023	**2,802,977**	**4.62**
Granted	6,430,000	0.54
Vested	(906,732)	0.89
Forfeited	(87,225)	1.76
Unvested as of December 31, 2024	**8,239,020**	**1.88**

Total compensation expenses recognized for restricted ordinary shares for the years ended December 31, 2022, 2023 and 2024 were allocated to the following expense items:

	Year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Research and development expenses	(5,158)	654	(545)
General and administrative expenses	59,133	10,868	1,828
Selling and marketing expenses	1,275	1,851	10,968
Total restricted ordinary shares compensation expenses	**55,250**	**13,373**	**12,251**

In addition to the restricted ordinary shares held by the Company's employees, 1,700,000 ordinary shares were held by a non-employee founder, which were restricted and have been vested immediately upon the completion of the Company's initial public offering on February 9, 2021. The fair value of 1,700,000 restricted ordinary shares on grant date is US$111.

As of December 31, 2024, total unrecognized compensation expense related to restricted ordinary shares were RMB21,006 until 2028. The restricted ordinary shares are expected to be recognized over a weighted average period of approximately 3.35 years.

Shares Options

In January 2017, the Company's shareholders and board of directors approved a share option Plan ("2016 Share Plan''), under which a maximum aggregate number of 21,119,408 ordinary shares may be issued pursuant to all awards to be granted. In September 2018, the Company's shareholders and board of directors approved that the maximum aggregate number of ordinary shares may be issued under 2016 Share Plan shall be modified to 25,838,502 pre-offering Class A Ordinary Shares. In March 2020 and July 2020, the Company's shareholders and board of directors approved that the maximum aggregate number of ordinary shares may be issued under 2016 Share Plan shall be modified to 26,419,211 and 29,525,465 pre-offering Class A Ordinary Shares, respectively.

In addition, the options may be exercised with respect to 25% to 50% of the shares subject to the options as of the first anniversary of the vesting commencement date with the remaining shares subject to the options shall become vested in equal monthly installments over a period of 12-36 months thereafter. Share options were granted with exercise prices ranging from US$0.01 to US$0.38 and will expire 10 years from the grant dates.

Under the 2016 Share Plan, nil and 1,000,000 share options were granted to employees, officers, and board members for the years ended December 31, 2023 and 2024, respectively. A summary of the share options activities for the years ended December 31, 2023 and 2024 is presented below:

	Number of shares	Weighted average exercise price	Weighted remaining contractual years	Aggregate intrinsic value
		US$		US$
Outstanding as of January 1, 2023	**17,595,037**	**0.24**		
Forfeited	(721,728)	0.15		
Exercised	(3,731,723)	0.17		
Outstanding as of December 31, 2023	**13,141,586**	**0.26**		
Granted	1,000,000	0.38		
Forfeited	(736,690)	0.15		
Exercised	(1,018,889)	0.19		1,463
Outstanding as of December 31, 2024	**12,386,007**	**0.28**		
Vested and expected to vest as of December 31, 2024	**12,386,007**	**0.28**	**3.39**	**24,278**
Exercisable as of December 31, 2024	**11,499,929**	**0.25**	**2.33**	**24,016**

The fair values of the options granted are estimated on the dates of grant using the binomial option pricing model with the following assumptions used:

	Year ended December 31,
Grant dates:	**2024**
Risk free rate of return	2.5%
Volatility	45.0%
Expected dividend yield	0%
Exercise multiple	2.20
Fair value of underlying ordinary share	US$0.30- US$0.52
Expiration terms	10 years

The expected volatility was estimated based on the historical volatility of comparable peer public companies with a time horizon close to the expected term of the Company's options. The risk-free interest rate was estimated based on the yield to maturity of U.S. treasury bonds denominated in US$ for a term consistent with the expected term of the Company's options in effect at the option valuation date. Expected dividend yield is zero as the Company does not anticipate any dividend payments in the foreseeable future. The expected exercise multiple was estimated as the average ratio of the stock price to the exercise price of when employees would decide to voluntarily exercise their vested options. As the Company did not have sufficient information of past employee exercise history, it has considered the statistics on exercise patterns of employees compiled by Huddart and Lang in Huddart, S., and M. Lang. 1996. "Employee Stock Option Exercises: An Empirical Analysis." *Journal of Accounting and Economics*, vol. 21, no. 1 (February), pages 5-43, which are widely adopted by valuers as authoritative guidance on expected exercise multiples. Expected term is the contract life of the option.

Compensation expense recognized for share options during the years ended December 31,2022, 2023 and 2024 is allocated to the following expense items:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB	**RMB**	**RMB**
Cost of revenues	(621)	3	-
Research and development expenses	(795)	1,006	55
Selling and marketing expenses	(765)	6,068	345
General and administrative expenses	54,393	1,788	1,653
Total share option compensation expenses	**52,212**	**8,865**	**2,053**

As of December 31, 2024, RMB1,111 of total unrecognized compensation expense related to share options that are expected to be recognized until 2028. The share options are expected to be recognized over a weighted average period of approximately 2.84 years.

14. FAIR VALUE MEASUREMENT

The following tables present the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2022, 2023 and 2024 respectively:

	December 31, 2022			
RMB	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets				
Short-term investments	-	-	412,031	412,031

	December 31, 2023			
RMB	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets				
Short-term investments	-	-	422,559	422,559

	December 31, 2024			
RMB	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets				
Short-term investments	-	-	291,280	291,280

The table below reflects the reconciliation from the opening balances to the closing balances for recurring fair value measurements of the fair value hierarchy for the years ended December 31, 2022, 2023 and 2024:

				Year ended December 31, 2022			
				Gain or Losses			
RMB	January 1, 2022	Purchase/ Issue	Sell / Exercise	Included in earnings	Included in other comprehensive loss	Foreign currency translation adjustment included in other comprehensive loss	December 31, 2022
Assets							
Short term investments	127,514	357,142	70,306	-	-	(2,320)	412,031

				Year ended December 31, 2023			
				Gain or Losses			
RMB	January 1, 2023	Purchase/ Issue	Sell / Exercise	Included in earnings	Included in other comprehensive loss	Foreign currency translation adjustment included in other comprehensive loss	December 31, 2023
Assets							
Short term investments	412,031	28,187	24,663	563	-	6,441	422,559

				Year ended December 31, 2024			
				Gain or Losses			
RMB	January 1, 2024	Purchase/ Issue	Sell / Exercise	Included in earnings	Included in other comprehensive loss	Foreign currency translation adjustment included in other comprehensive loss	December 31, 2024
Assets							
Short term investments	422,559	222,036	357,825	11,859	-	(7,349)	291,280

15. INCOME TAX

a) Income tax

The Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

No stamp duty is payable in respect of the issue of the shares or on an instrument of transfer in respect of a share.

Hong Kong S.A.R.

Under the current Hong Kong S.A.R. Inland Revenue Ordinance, the Company's Hong Kong S.A.R. subsidiary is subject to Hong Kong S.A.R. profits tax at the rate of 16.5% on its taxable income generated from the operations in Hong Kong S.A.R. Payments of dividends by the Hong Kong S.A.R. subsidiary to the Company is not subject to withholding tax in Hong Kong S.A.R. A two-tiered profits tax rates regime was introduced in 2018 where the first HK$2 million of assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) whilst the remaining profits will continue to be taxed at 16.5%. There is an anti-fragmentation measure where each group will have to nominate only one company in the group to benefit from the progressive rates. No provision for Hong Kong profits tax has been made in the financial statements as the subsidiary in Hong Kong has no assessable profits for the years ended December 31, 2022, 2023 and 2024.

Japan

The Company's Japan subsidiary, Cloopen Japan Co., Ltd., is subject to Japanese corporation tax (including national corporation tax, local enterprise tax and other income-based taxes) on its worldwide income. The statutory effective tax rate is approximately 30% to 34%, depending on the size of the company.

Dividends paid by a Japanese company are generally subject to Japanese withholding tax. If the Japanese company paying dividends is a non-listed company and the payee is a non-resident of Japan, the rate of such withholding tax is 20.42% under Japanese Tax law. The Company enjoys preferential withholding tax rate of 10% under Japan-China tax treaty.

The PRC

The Group's PRC subsidiaries, the VIE, and the VIE's subsidiaries are subject to the PRC Corporate Income Tax Law ("CIT Law") and are taxed at the statutory income tax rate of 25%, unless otherwise specified.

In March 2007, a new enterprise income tax law (the "New EIT Law") in the PRC was enacted which became effective on January 1, 2008. The New EIT Law applies a unified 25% enterprise income tax ("EIT") rate to both foreign invested enterprises and domestic enterprises, unless a preferential EIT rate is otherwise stipulated. On April 14, 2008, relevant governmental regulatory authorities released further qualification criteria, application procedures and assessment processes for meeting the High and New Technology Enterprise ("HNTE") status under the New EIT Law which would entitle qualified and approved entities to a favorable EIT tax rate of 15%. In April 2009 and June 2017, the State Administration for Taxation ("SAT") issued Circular Guoshuihan (2009) No. 203 ("Circular 203") and SAT Announcement (2017) No. 24 ("Announcement 24") stipulating that the entities which qualified for the HNTE status should apply with in-charge tax authorities to enjoy the reduced EIT rate of 15% provided under the New EIT Law starting from the year when the new HNTE certificate becomes effective. The HNTE certificate is effective for a period of three years and can be renewed for another three years. Subsequently, an entity needs to re-apply for the HNTE status in order to be able to enjoy the preferential tax rate of 15%.

Ronglian 7Moor obtained the HNTE certificate in December 2016, and subsequently renewed the HNTE certificate in October 2019 and November 2022. Thus, Ronglian 7Moor is entitled to a preferential tax rate of 15% from 2016 to 2024.

Beijing Baiyi High-Tech Information Technology Co., Ltd., a subsidiary of the Company, obtained the HNTE certificate in October 2017, which expired in October 2020. In October 2020, Baiyi renewed its HNTE status which entitles it to the preferential income tax rate of 15% from 2020 to 2022. Due to business scope change, Baiyi has no plan to renew the HNTE certificates and could not entitle to the preferential tax rate of 15% after the HNTE certificate became void from January 1, 2023.

Beijing Yunrong Tianxia Technology Co., Ltd., a subsidiary of the Company, obtained the HNTE certificates in December 2017 and subsequently renewed the HNTE Certificate in October 2020 and October 2023. Thus, it was entitled to the preferential tax rate of 15% from 2017 to 2025.

Ronglian Yitong, a subsidiary of the Company, obtained the HNTE certificate in September 2015 and subsequently renewed the HNTE certificate in September 2018, December 2021 and December 2024. Thus, it was entitled to the preferential tax rate of 15% from 2015 to 2026.

Beijing Ronglian Huitong Technology Co., Ltd. and Shenzhen Zhongtian Wangjing Technology Co., Ltd., subsidiaries of the Company, obtained the HNTE certificates in December 2019. Thus, they are entitled to the preferential tax rate of 15% from 2019 to 2021. Beijing Ronglian Huitong Technology Co., Ltd., renewed its HNTE status in December 2021 and August 2023, and is entitled to a preferential tax rate of 15% from 2022 to 2024. In December 2022, Shenzhen Zhongtian Wangjing Technology Co., Ltd., renewed its HNTE status which entitled it to the preferential income tax rate of 15% from 2022 to 2024.

Zhuge Yunyou, a subsidiary of the Company, obtained the HNTE certificate in October 2021 and subsequently renewed the HNTE certificate in December 2024. Thus, it was entitled to the preferential tax rate of 15% from 2021 to 2026.

If any entities fail to maintain the HNTE qualification under the New EIT Law, they will no longer qualify for the preferential tax rate of 15%.

The CIT Law also provides that an enterprise established under the laws of a foreign country or region but whose “de facto management body” is located in the PRC be treated as a resident enterprise for the PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the CIT Law define the location of the “de facto management body” as “the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, property, etc., of a non-PRC company is located.” Based on a review of surrounding facts and circumstances, the Group does not believe that it is likely that its operations outside the PRC should be considered a resident enterprise for PRC tax purposes.

The components of loss before income taxes are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
The Cayman Islands*	(345,945)	(69,414)	(13,599)
Hong Kong S.A.R*	(34,946)	3,397	35,238
Japan*	(27,883)	(19,507)	(10,690)
The PRC, excluding Hong Kong S.A.R.	(567,467)	(327,414)	(158,092)
Total	**(976,241)**	**(412,938)**	**(147,143)**

* Non-PRC entities not subject to income tax

Withholding tax on undistributed dividends

The CIT law also imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise ("FIE") to its immediate holding company outside of Mainland China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within Mainland China or if the received dividends have no connection with the establishment or place of such immediate holding company within Mainland China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. The Cayman Islands, where the Company is incorporated, does not have such tax treaty with the PRC. According to the arrangement between Mainland China and Hong Kong S.A.R. on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in Mainland China to its immediate holding company in Hong Kong S.A.R. will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). The Group did not record any dividend withholding tax, as the Group's PRC entities, have no retained earnings in any of the years presented.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on interest income from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group applies a preferential withholding tax rate of 7% due to a tax treaty between Mainland China and the jurisdiction of the foreign investors.

Income tax expense recognized in the consolidated statements of comprehensive loss consists of the following:

	Year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Current income tax expense	8,464	(135)	74
Deferred income tax benefit	(8,806)	(429)	(390)
Total income tax benefit	**(342)**	**(564)**	**(316)**

Reconciliation of the differences between the income tax benefit computed based on the PRC statutory income tax rate and the Group's income tax expense for the years ended December 31, 2022, 2023 and 2024 are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Computed expected income tax benefit	**(244,060)**	**(103,234)**	(36,786)
Non-deductible expenses / taxable deemed income			
Share-based compensation	26,865	5,560	3,576
Non-deductible entertainment	1,240	1,264	802
Taxable deemed interest income from inter-company interest-free loans	2,659	1,828	1,633
Employee commercial Insurance	291	208	271
Effect of withholding tax at 7% on the interest income of a PRC subsidiary	2,121	-	-
Selling Commission	1,003	1,057	1,016
Others	109	167	97
Non-PRC entities not subject to income tax	66,530	16,571	1,044
Effect of income tax rate differences in jurisdictions other than the PRC	2,964	(282)	(345)
Over provision in respect of prior years	203	36	(65)
NOL expired	38,871	34,921	18,292
Amortization of intangible assets formed by business combinations	(8,806)	(429)	(390)
Others	1,701	(2,759)	(1,725)
Changes in valuation allowance	107,967	44,528	12,264
Actual income tax expense	**(342)**	**(564)**	**(316)**

b) Deferred income tax assets

	December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Net operating loss carry forwards	349,681	388,065	398,464
Un-invoiced expenditures	9,867	9,867	9,867
Accounts receivable and contract assets allowance	22,172	26,561	25,711
Other equity investments impairment	12,777	10,278	10,278
Goodwill impairment	55,534	55,534	55,534
Share of losses of equity method investments	641	980	979
Others	2,050	3,199	5,915
Less: Valuation allowance	(443,306)	(487,834)	(500,098)
Total deferred income tax assets, net	**9,416**	**6,650**	**6,650**
Intangible assets	(1,285)	(857)	(466)
Equity method investment on the gain from the disposal of a subsidiary	(2,766)	-	-
Change in fair value of other equity investments	(6,650)	(6,650)	(6,650)
Total gross deferred income tax liabilities	**(10,701)**	**(7,507)**	**(7,116)**
Net deferred income tax assets	**(1,285)**	**(857)**	**(466)**

As of December 31, 2024, the Group had net operating loss carry forwards of approximately RMB1,945 million attributable to the PRC and Hong Kong S.A.R. subsidiaries, the VIE, and the VIE's subsidiaries. The loss carried forward by the PRC companies will expire during the period from year 2025 to year 2034. As of December 31, 2024, the Group had tax loss carry forwards for PRC and Hong Kong S.A.R. income tax purpose of RMB 1,945,332 which will expire if unused by the following year-end:

Year ending December 31,	**RMB**
2025	49,758
2026	238,123
2027	207,161
2028	182,163
2029	219,983
Then thereafter	1,048,144
Total	**1,945,332**

A valuation allowance is provided against deferred income tax assets when the Group determines that it is more likely than not that the deferred income tax assets will not be utilized in the foreseeable future. In making such determination, the Group evaluates a variety of factors including the Group's operating history, accumulated deficit, existence of taxable temporary differences and reversal periods.

As of December 31, 2024, the valuation allowance of RMB 500,098 was related to the deferred income tax assets of the PRC and Hong Kong S.A.R. entities which were in loss position. As of December 31, 2024, management believes it is more likely than not that the Group will realize the deferred income tax assets, net of the valuation allowance.

Changes in valuation allowance are as follows:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB	**RMB**	**RMB**
Balance at the beginning of the year	(335,339)	(443,306)	(487,834)
Additions	(107,967)	(44,528)	(12,264)
Balance at the end of the year	**(443,306)**	**(487,834)**	**(500,098)**

According to the PRC Tax Administration and Collection Law, the statute of limitation is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitation is extended to five years under special circumstances where the underpayment of taxes is more than RMB100. In the case of transfer pricing issues, the statute of limitation is 10 years. There is no statute of limitation in the case of tax evasion. The income tax returns of the Company's PRC subsidiary, the VIE and the VIE's subsidiaries for the years from 2019 to 2024 are open to examination by the PRC tax authorities.

16. NET LOSS PER SHARE

The following table sets forth the basic and diluted net loss per ordinary share computation and provides a reconciliation of the numerator and denominator for the years presented:

	Year ended December 31,	
	2023	2024
	RMB	RMB
Numerator:		
Net loss	(409,722)	(142,757)
Numerator for basic and diluted net loss per ordinary share calculation	**(409,722)**	**(142,757)**
Denominator:		
Weighted average number of Class A and Class B ordinary shares	321,945,825	322,945,205
Denominator for basic and diluted net loss per ordinary share calculation	**321,945,825**	**322,945,205**
Net loss per ordinary share attributable to pre-offering Class A and pre-offering Class B ordinary shareholders		
—Basic and diluted	(1.27)	(0.44)

Securities that could potentially dilute basic net loss per ordinary share in the future that were not included in the computation of diluted net loss per ordinary share because to do so would have been antidilutive for the years ended December 31, 2023 and 2024 are as follow:

	Year ended December 31,	
	2023	2024
Share options	13,141,586	12,386,007
Restricted ordinary shares	2,802,977	8,239,020

17. REVENUE INFORMATION

Revenues

The Group's revenues are disaggregated by major products/services lines, timing of revenue recognition and primary geographical markets (based on the location of customers) as follow:

Major products/services lines	**Year ended December 31,**		
	2022	**2023**	**2024**
	RMB	**RMB**	**RMB**
CPaaS			
- Text messaging	119,416	136,654	132,242
- Voice calls	25,953	25,958	35,708
- Others (Note2)	46,796	32,799	21,457
Cloud-based CC	310,765	256,961	268,081
Cloud-based UC&C	89,350	117,554	116,078
Other services	1,354	1,098	-
Revenues	**593,634**	**571,024**	**573,566**

Note 1: The gross amount of revenue from services as an agent was RMB89 million, RMB69 million and RMB50 million for the years ended December 31, 2022, 2023 and 2024. The net amount of revenue from services as an agent was RMB14 million, RMB16 million and RMB15 million for the years ended December 31, 2022, 2023 and 2024 respectively.

Note 2: Others mainly include CPaaS revenue from the customers' use of the Group's Internet of Things (IoT) and jointly-operated CPaaS platforms.

Timing of revenue recognition	**Year ended December 31,**		
	2022	**2023**	**2024**
	RMB	**RMB**	**RMB**
Point in time	381,163	331,220	301,480
Over time	212,471	239,804	272,086
Revenues	**593,634**	**571,024**	**573,566**

Primary geographical markets (based on the location of customers)	**Year ended December 31,**		
	2022	**2023**	**2024**
	RMB	**RMB**	**RMB**
The PRC	556,663	539,867	543,774
Japan	36,971	31,157	29,792
Revenues	**593,634**	**571,024**	**573,566**

Revenue based on a gross basis/ net basis	**Year ended December 31,**		
	2022	**2023**	**2024**
	RMB	**RMB**	**RMB**
On a gross basis	579,629	555,409	558,926
On a net basis	14,005	15,615	14,640
Revenues	**593,634**	**571,024**	**573,566**

Contract Assets and Contract Liabilities

The Group's contract assets and contract liabilities as of December 31, 2022, 2023 and 2024 are as follows:

	December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Contract assets	50,838	26,107	27,752
Contract liabilities	359,801	363,228	306,112

The contract assets primarily relate to the Group's rights to consideration for work performed but not invoiced at the reporting date on Cloud-based UC&C projects and Cloud-based CC projects. The contract assets are transferred to receivables when the rights to consideration become unconditional.

The contract liabilities primarily related to the advanced consideration received from customers in relation to the subsequent provision of Cloud-based CC services and CPaaS solutions. The contract liabilities will be recognized as revenue when the Group fulfills its performance obligations to transfer the promised products or services to customers, which is expected to occur within one year.

Changes in the contract assets balances for the years ended December 31, 2022, 2023 and 2024 are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Gross amount at the beginning of the year	31,722	63,144	36,469
Increases due to revenue recognized during the year	50,825	27,787	44,616
Transfers to accounts receivable during the year	(19,403)	(54,462)	(31,601)
Gross amount at the end of the year	**63,144**	**36,469**	**49,484**
Allowance for credit loss of contract assets	(12,306)	(10,362)	(21,732)
Contract assets, net	**50,838**	**26,107**	**27,752**

The movement of the allowance for contract assets is as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Balance at the beginning of the year	10,604	12,306	10,362
Additions charged to credit loss	1,702	(1,944)	11,370
Balance at the end of the year	**12,306**	**10,362**	**21,732**

Changes in the contract liabilities balances for the years ended December 31, 2022, 2023 and 2024 are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Balance at the beginning of the year	285,936	359,801	363,228
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	(96,082)	(92,339)	(80,856)
Other operating income recognized that was included in the contract liabilities balance at the beginning of the year	-	-	(49,530)
Increase due to cash received, excluding amount recognized as revenue during the year	169,947	95,766	73,270
Balance at the end of the year	**359,801**	**363,228**	**306,112**

The amounts of revenue recognized for the years ended December 31, 2022, 2023 and 2024 that were included in the contract liabilities balances at the beginning of the year are RMB96,082, RMB92,339 and RMB80,856, respectively.

The Company has elected the practical expedient in ASC 606-10-50-14(a) to not disclose the information about remaining performance obligations which are part of contracts that have an original expected duration of one year or less.

18. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

From time to time, the Group is involved in claims and legal proceedings that arise in the ordinary course of business. The Group records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Based on currently available information, the Group has recorded accrued liabilities for class action of US$12,000 (equivalent to RMB83,575) in this regard as of December 31, 2022, and paid off the settlement amount as of December 31, 2023. On January 23, 2024, the Supreme Court of the State of New York issued an order granting final approval of the settlement and dismissing the claims the in the Sonny St. John action.

Purchase Commitment

The Group's purchase commitments primarily relate to purchase of software and equipment. Total purchase commitments contracted but not yet reflected in the consolidated financial statements as of December 31, 2024 were as follows:

Year ended December 31,	RMB
2025	5,274
2026 and thereafter	150

19. RELATED PARTY TRANSACTIONS

(i) Related Parties

Name of Related Parties	Relationship with the Company
Shanghai Keshen Information Technology Co., Ltd.	One of the Company's investment affiliates and the Company owns 20% equity interest and has significant influence since December 2021
Shenzhen City Yunjitong Technology Co., Ltd	One of the Company's investment affiliates and the Company owns 18.52% equity interest and has significant influence
Shenyang Yunrongxin Technology Co., Ltd	One of the Company's investment affiliates and the Company owns 20% equity interest and has significant influence

(ii) The Company had the following related party transactions for the years ended December 31, 2022, 2023 and 2024:

	Note	Year ended December 31,		
		2022	2023	2024
		RMB	RMB	RMB
Cloud-based UC&C services provided to a related party:				
-Shanghai Keshen Information Technology Co., Ltd.	(a)	34	6	-
CPaaS services provided to related parties:				
-Shenyang Yunrongxin Technology Co., Ltd	(b)	1,341	913	162
-Shenzhen City Yunjitong Technology Co., Ltd	(b)	2	-	1
Project development services purchased from related parties:				
-Shenyang Yunrongxin Technology Co., Ltd	(c)	-	321	-
-Shanghai Keshen Information Technology Co., Ltd.	(c)	-	3,302	1,981

(a) Cloud-based UC&C services provided to a related party

The Company provided Cloud-based UC&C services to subsidiaries of Shanghai Keshen Information Technology Co., Ltd ("Shanghai Keshen"). Revenues of RMB34, RMB6 and nil, were recorded in the consolidated statements of comprehensive loss for the year ended December 31, 2022,2023 and 2024. Amounts due from Shanghai Keshen were RMB4 and nil as of December 31, 2023 and 2024, which are included in accounts receivable - related parties, net on the consolidated balance sheets. Amounts due to Shanghai Keshen were RMB51 and RMB62, which were deposits as of December 31, 2023 and 2024.

(b) CPaaS services provided to related parties

The Company provided CPaaS services to Shenyang Yunrongxin Technology Co., Ltd ("Shenyang Yunrongxin"). Revenues of RMB1,341, RMB913 and RMB162 were recorded in the consolidated statements of comprehensive loss for the years ended December 31, 2022, 2023 and 2024, respectively. Amounts due from Shenyang Yunrongxin were RMB700 and RMB389 as of December 31, 2023 and 2024, which are included in accounts receivable - related parties, net on the consolidated balance sheets.

The Company provided CPaaS services to Shenzhen City Yunjitong Technology Co., Ltd ("Shenzhen City Yunjitong"). Revenues of RMB2, nil and RMB1 were recorded in the consolidated statements of comprehensive loss for the years ended December 31, 2022, 2023 and 2024, respectively.

(c) Outsourcing services purchased from related parties

The Company purchased from Shenyang Yunrongxin project development services, which is included in cost of revenues of nil, RMB321 and nil, for the years ended December 31, 2022, 2023 and 2024, respectively. Amounts due to Shenyang Yunrongxin were RMB150 and RMB91 as of December 31, 2023 and 2024, which are included in accounts amounts due to related parties on the consolidated balance sheets.

The Company purchased project development services from Shanghai Keshen, which is included in cost of revenues of nil, RMB3,302 and RMB1,981, for the years ended December 31, 2022, 2023 and 2024, respectively. Amounts due from Shanghai Keshen were RMB3,350 and RMB2,590, which were prepayment of project development services fee as of December 31, 2023 and 2024, respectively.

The Company purchased project development services from Shenzhen City Yunjitong, amounts due to Shenzhen City Yunjitong were RMB4 and RMB1 as of December 31, 2023 and 2024, which are included in accounts amounts due to related parties on the consolidated balance sheets.

(iii) The Company had the following related party balances as of December 31, 2023 and 2024:

	Notes	2023	2024
		RMB	RMB
Accounts receivable - related parties, net:			
-Shanghai Keshen Information Technology Co., Ltd.	(a)	4	-
-Shenyang Yunrongxin Technology Co., Ltd	(b)	700	389
Amounts due from a related party:			
-Shanghai Keshen Information Technology Co., Ltd.	(c)	3,350	2,590
Total amounts due from related parties		3,350	2,590
Amounts due to related parties:			
-Shenyang Yunrongxin Technology Co., Ltd	(c)	150	91
-Shenzhen City Yunjitong Technology Co., Ltd	(c)	4	1
-Shanghai Keshen Information Technology Co., Ltd.	(a)	51	62
Total amounts due to related parties		205	154

20. PARENT ONLY FINANCIAL INFORMATION

The following condensed parent company financial information of Cloopen Group Holding Limited has been prepared using the same accounting policies as set out in the accompanying consolidated financial statements. As of December 31, 2023, there were no material contingencies, significant provisions of long-term obligations, mandatory dividend or redemption requirements of redeemable stocks or guarantees of Cloopen Group Holding Limited, except for those, which have been separately disclosed in the consolidated financial statements.

(a) Condensed Balance Sheets

	December 31,	
	2023	2024
	RMB	RMB
Assets		
Current assets		
Cash	20,475	79,741
Term deposits	85,522	143,768
Short-term investments	39,197	39,536
Other current assets	13	81
Total current assets	**145,207**	**263,126**
Non-current asset:		
Investments in and amounts due from subsidiaries and consolidated VIE and VIE's subsidiaries	1,108,131	993,075
Total non-current asset	**1,108,131**	**993,075**
Total assets	**1,253,338**	**1,256,201**
Liabilities		
Current liabilities		
Accrued expenses and other current liabilities	52,372	181,624
Total current liabilities	**52,372**	**181,624**
Total liabilities	**52,372**	**181,624**
Shareholders' equity:		
Class A Ordinary Shares	195	195
Class B Ordinary Shares	17	17
Additional paid-in capital	11,210,542	11,225,945
Treasury stock	(120,899)	(120,899)
Accumulated other comprehensive loss	(57,327)	(56,362)
Accumulated deficit	(9,831,562)	(9,974,319)
Total shareholders' equity	**1,200,966**	**1,074,577**
Total liabilities and shareholders' equity	**1,253,338**	**1,256,201**

(b) Condensed Statements of Comprehensive Loss

	Year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Total operating expenses	(238,074)	(89,953)	(32,074)
Share of losses from subsidiaries and consolidated VIE and VIE's subsidiaries	(736,824)	(319,769)	(110,683)
Loss before income taxes	**(974,898)**	**(409,722)**	**(142,757)**
Income tax expense	-	-	-
Net loss	**(974,898)**	**(409,722)**	**(142,757)**
Net loss attributable to ordinary shareholders	**(974,898)**	**(409,722)**	**(142,757)**

(c) Condensed Statements of Cash Flows

	Year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Net cash provided by/(used in) operating activities	(290,137)	(133,979)	115,285
Net cash used in investing activities	(335,194)	(569,407)	(486)
Net cash used in financing activities	(47,474)	-	-
Effect of foreign currency exchange rate changes on cash	73,275	31,168	2,713
Net increase/(decrease) in cash	**(599,530)**	**(672,218)**	**117,512**
Cash at the beginning of the year	1,377,745	778,215	105,997
Cash at the end of the year	**778,215**	**105,997**	**223,509**

C. THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CLOOPEN GROUP FOR THE YEAR ENDED DECEMBER 31, 2025

CLOOPEN GROUP HOLDING LIMITED

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To the Shareholders and Board of Directors
Cloopen Group Holding Limited:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Cloopen Group Holding Limited (the "Company"), its subsidiaries and its variable interest entities (collectively the "Group") as of December 31, 2024 and 2025, the related consolidated statements of comprehensive loss, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2025, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2025, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2025, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ ARK PRO CPA & Co

We have served as the Company's auditor since 2023.

Hong Kong, China

May 8, 2026

CLOOPEN GROUP HOLDING LIMITED

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Notes	December 31, 2024	December 31, 2025	
		RMB	RMB	US$
ASSETS				
Current assets				
Cash	4	640,119	324,134	46,351
Restricted cash	4	10,396	28,107	4,019
Term deposits	2(i)	222,783	211,463	30,239
Short-term investments	14	291,280	359,734	51,441
Accounts receivable – third parties, net	5	120,374	139,651	19,970
Accounts receivable – a related party, net	5,19	389	488	70
Contract assets	17	27,752	57,290	8,192
Amounts due from a related party	19	2,590	3,345	478
Prepayments and other current assets	6	119,996	111,954	16,009
Total current assets		**1,435,679**	**1,236,166**	**176,769**
Non-current assets				
Long-term investments	7	54,052	53,269	7,617
Property and equipment, net	8	8,173	6,088	871
Operating lease right-of-use assets	9	10,800	14,122	2,019
Intangible assets, net	10	11,609	9,271	1,326
Goodwill	11	54,427	54,427	7,783
Other non-current assets		3,639	2,925	418
Total non-current assets		**142,700**	**140,102**	**20,034**
Total assets		**1,578,379**	**1,376,268**	**196,803**
LIABILITIES AND SHAREHOLDERS' EUQITY				
Current liabilities				
Accounts payable		95,485	129,831	18,566
Contract liabilities	17	306,112	299,483	42,825
Operating lease liabilities-current	9	5,843	8,093	1,157
Amounts due to related parties	19	154	391	56
Accrued expenses and other current liabilities	12	101,009	102,675	14,682
Total current liabilities		**508,603**	**540,473**	**77,286**
Non-current liabilities				
Operating lease liabilities-non current	9	4,731	3,785	541
Deferred income tax liabilities	15	466	76	11
Total non-current liabilities		**5,197**	**3,861**	**552**
Total liabilities		**513,800**	**544,334**	**77,838**
Commitments and contingencies (Note 18)				
SHAREHOLDERS' EQUITY:				
Class A Ordinary Shares (US$0.0001 par value, 600,000,000 shares authorized, 309,105,485 and 317,606,141 shares issued as of December 31, 2024 and 2025, and 308,053,676 and 316,554,332 shares outstanding as of December 31, 2024 and 2025, respectively)		195	195	28
Class B Ordinary Shares (US$0.0001 par value, 25,649,839 shares authorized, issued and outstanding as of December 31, 2024 and 2025; each Class B ordinary share is convertible into one Class A ordinary share)		17	17	2
Additional paid-in capital		11,225,945	11,239,347	1,607,205
Treasury stock		(120,899)	(120,899)	(17,288)
Accumulated other comprehensive loss		(56,362)	(63,608)	(9,096)
Accumulated deficit		(9,974,319)	(10,213,669)	(1,460,535)
Total shareholders' Equity attributable to Cloopen Group Holding Limited		**1,074,577**	**841,383**	**120,316**
Non-controlling interests		**(9,998)**	**(9,449)**	**(1,351)**
Total shareholders' Equity		**1,064,579**	**831,934**	**118,965**
Total liabilities and shareholders' equity		**1,578,379**	**1,376,268**	**196,803**

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Notes	Year ended December 31,			
		2023	2024	2025	
		RMB	RMB	RMB	US$
Revenues (including related parties amounts of RMB 919, RMB 163 and RMB 337 for the years ended December 31,2023, 2024 and 2025, respectively)	17,19	571,024	573,566	535,709	76,605
Cost of revenues (including related parties amounts of RMB 3,623, RMB 1,981 and RMB 2,161 for the years ended December 31, 2023, 2024 and 2025, respectively)	19	(366,375)	(362,717)	(388,963)	(55,621)
Gross profit		204,649	210,849	146,746	20,984
Operating expenses:					
Selling and marketing expenses		(227,543)	(187,305)	(142,265)	(20,344)
General and administrative expenses		(191,113)	(93,916)	(111,061)	(15,882)
Other operating income		-	49,530	-	-
Research and development expenses	19	(222,538)	(177,000)	(139,081)	(19,888)
Total operating expenses		**(641,194)**	**(408,691)**	**(392,407)**	**(56,114)**
Operating loss		**(436,545)**	**(197,842)**	**(245,661)**	**(35,130)**
Interest income		26,826	42,151	10,656	1,524
Investment income		563	11,859	10,423	1,490
Share of gains (losses) of equity method investments	7	(1,470)	3	(1,638)	(234)
Impairment loss of long-term investments	7	(8,011)	-	(11,145)	(1,594)
Gains (losses) from disposal of subsidiaries, net		-	403	(1,743)	(249)
Foreign currency exchange gains (losses), net		5,699	(3,717)	(513)	(73)
Loss before income taxes		**(412,938)**	**(147,143)**	**(239,621)**	**(34,266)**
Income tax benefit	15	564	316	820	117
Net loss		**(412,374)**	**(146,827)**	**(238,801)**	**(34,149)**
Net income (loss) attributable to non-controlling interests		**(2,652)**	**(4,070)**	**549**	**79**
Net loss attributable to Cloopen Group Holding Limited		**(409,722)**	**(142,757)**	**(239,350)**	**(34,228)**
Net loss attributable to ordinary shareholders		**(409,722)**	**(142,757)**	**(239,350)**	**(34,228)**
Net loss		**(412,374)**	**(146,827)**	**(238,801)**	**(34,149)**
Other comprehensive income (loss):					
Foreign currency translation adjustment, net of nil income taxes		21,286	965	(7,246)	(1,036)
Total other comprehensive income (loss)		**21,286**	**965**	**(7,246)**	**(1,036)**
Comprehensive loss		**(391,088)**	**(145,862)**	**(246,047)**	**(35,185)**
Comprehensive income (loss) attributable to non-controlling interests		(2,652)	(4,070)	549	79
Comprehensive loss attributable to Cloopen Group Holding Limited		**(388,436)**	**(141,792)**	**(246,596)**	**(35,264)**
Net loss per ordinary share					
—Basic and diluted	16	(1.27)	(0.44)	(0.74)	(0.11)
Weighted average number of ordinary shares outstanding used in computing net loss per ordinary share					
—Basic and diluted	16	321,945,825	322,945,205	323,149,126	323,149,126

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2023

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Note	Class A ordinary shares		Class B ordinary shares		Treasury Shares	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity attributable to Cloopen Group Holding Limited	Non-controlling interests	Total shareholders' equity
		Number of shares	RMB	Number of shares	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2023		**309,054,428**	**193**	**25,649,839**	**17**	**(120,899)**	**11,184,360**	**(78,613)**	**(9,421,840)**	**1,563,218**	**(3,276)**	**1,559,942**
Cumulative effect of adoption of ASC 326		-	-	-	-	-	-	-	(196)	(196)	-	(196)
Exercise option		1,442,808	2	-	-	-	3,943	-	-	3,945	-	3,945
Net loss		-	-	-	-	-	-	-	(409,526)	(409,526)	(2,652)	(412,178)
Share-based compensation	13	-	-	-	-	-	22,239	-	-	22,239	-	22,239
Foreign currency translation adjustment, net of nil income taxes		-	-	-	-	-	-	21,286	-	21,286	-	21,286
Balance as of December 31, 2023		**310,491,236**	**195**	**25,649,839**	**17**	**(120,899)**	**11,210,542**	**(57,327)**	**(9,831,562)**	**1,200,966**	**(5,928)**	**1,195,038**

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2024

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Note	Class A ordinary shares		Class B ordinary shares		Treasury Shares	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity attributable to Cloopen Group Holding Limited	Non-controlling interests	Total shareholders' equity
		Number of shares	RMB	Number of shares	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2024		**310,491,236**	**195**	25,649,839	**17**	(120,899)	11,210,542	**(57,327)**	(9,831,562)	**1,200,966**	(5,928)	1,195,038
Exercise option		588,187	-	-	-	-	1,099	-	-	1,099	-	1,099
Net loss		-	-	-	-	-	-	-	(142,757)	(142,757)	(4,070)	(146,827)
Share-based compensation	13	-	-	-	-	-	14,304	-	-	14,304	-	14,304
Foreign currency translation adjustment, net of nil income taxes		-	-	-	-	-	-	965	-	965	-	965
Balance as of December 31, 2024		**311,079,423**	**195**	25,649,839	**17**	(120,899)	11,225,945	**(56,362)**	(9,974,319)	**1,074,577**	(9,998)	1,064,579

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2025

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Note	Class A ordinary shares		Class B ordinary shares		Treasury Shares	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity attributable to Cloopen Group Holding Limited	Non-controlling interests	Total shareholders' equity
		Number of shares	RMB	Number of shares	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2025		**311,079,423**	**195**	**25,649,839**	**17**	**(120,899)**	**11,225,945**	**(56,362)**	**(9,974,319)**	**1,074,577**	**(9,998)**	**1,064,579**
Exercise option		4,263,171	-	-	-	-	240	-	-	240	-	240
Change in the ownership interest in the subsidiaries		-	-	-	-	-	(31)	-	-	(31)	-	(31)
Net loss		-	-	-	-	-	-	-	(239,350)	(239,350)	549	(238,801)
Share-based compensation	13	-	-	-	-	-	13,193	-	-	13,193	-	13,193
Foreign currency translation adjustment, net of nil income taxes		-	-	-	-	-	-	(7,246)	-	(7,246)	-	(7,246)
Balance as of December 31, 2025		**315,342,594**	**195**	**25,649,839**	**17**	**(120,899)**	**11,239,347**	**(63,608)**	**(10,213,669)**	**841,383**	**(9,449)**	**831,934**
Balance as of December 31, 2025—US$		**-**	**28**	**-**	**2**	**(17,288)**	**1,607,205**	**(9,096)**	**(1,460,535)**	**120,316**	**(1,351)**	**118,965**

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Year ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US$
Operating activities:				
Net loss	**(412,374)**	**(146,827)**	**(238,801)**	**(34,149)**
Adjustments to reconcile net loss to net cash used in operating activities				
Allowance for doubtful accounts	16,456	(3,875)	2,802	401
Share-based compensation	22,238	14,304	13,193	1,887
Depreciation of property and equipment and amortization of Intangible assets	8,775	7,634	5,058	723
Amortization of right-of-use asset and interest on lease liabilities	4,516	8,468	2,016	288
Deferred tax benefit	(429)	(390)	(390)	(56)
Share of (gains) losses of equity method investments	1,470	(3)	1,638	234
Impairment loss of long-term investments	8,011	-	11,145	1,594
Loss from disposal of property and equipment	66	63	120	17
Investment income	(563)	(11,859)	(10,423)	(1,490)
Losses (gains) from disposal of subsidiaries, net	-	(403)	1,743	249
Unrealized foreign exchange (gains) losses	(5,699)	3,717	513	73
Changes in operating assets and liabilities, net of effect of disposal of subsidiaries:				
Accounts receivable - third parties, net	(28,125)	38,573	(26,984)	(3,859)
Accounts receivable - a related party, net	(724)	34	(179)	(26)
Contract assets	26,675	(13,015)	(24,554)	(3,511)
Amounts due from a related party	(3,245)	760	(755)	(108)
Prepayments and other current assets	(1,326)	1,726	6,299	901
Operating lease right-of-use assets	(2,166)	(5,276)	(5,338)	(763)
Other non-current assets	1,052	(111)	714	102
Accounts payable	(34,395)	7,756	34,346	4,911
Contract liabilities	3,427	(57,116)	(6,629)	(948)
Amounts due to related parties	(575)	(51)	237	34
Operating lease liabilities	(4,146)	(1,890)	1,304	186
Other non-current liabilities	3,063	-	-	-
Accrued expenses and other current liabilities	(118,184)	(22,459)	1,906	273
Net cash used in operating activities	**(516,202)**	**(180,240)**	**(231,019)**	**(33,037)**
Investing activities:				
Cash paid for business combination	(8,915)	-	-	-
Cash paid for purchase of property and equipment	(807)	(2,892)	(787)	(113)
Cash paid for purchase of intangible assets	(952)	(328)	(44)	(6)
Cash paid for purchase of long-term investments	(5,000)	-	(12,000)	(1,716)
Cash received from sale of short-term investments	24,663	357,825	358,732	51,298
Cash paid for purchase of short-term investments	(28,187)	(222,036)	(434,551)	(62,140)
Cash received from disposal of property and equipment	15	4	30	4
Cash paid for term deposits	(938,458)	(1,243,877)	(1,501,761)	(214,749)
Cash received from maturity of term deposits	1,308,935	1,571,532	1,510,189	215,954
Net cash provided by/ (used in) investing activities	**351,294**	**460,228**	**(80,192)**	**(11,468)**
Financing activities:				
Net cash provided by financing activities	-	-	-	-
Effect of foreign currency exchange rate changes on cash	20,092	(11,922)	12,937	1,851
Net increase/(decrease) in cash and restricted cash	**(144,816)**	**268,066**	**(298,274)**	**(42,654)**
Cash and restricted cash at the beginning of the year	527,265	382,449	650,515	93,023
Cash and restricted cash at the end of the year	**382,449**	**650,515**	**352,241**	**50,369**
Supplemental information				
Income tax paid	93	11	22	3
Income tax refund		(774)	(20)	(3)

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023, 2024 and 2025

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

1. DESCRIPTION OF BUSINESS, ORGANIZATION AND BASIS OF PRESENTATION

Organization and principal activities

Cloopen Group Holding Limited ("the Company"), through its wholly-owned subsidiaries, consolidated variable interest entity ("VIE") and VIE's subsidiaries (collectively referred to as "the Group"), is principally engaged in providing integrated communication services based on cloud computing technology. The Group's principal operations and geographic markets are mainly in the People's Republic of China ("PRC").

The accompanying consolidated financial statements include the financial statements of the Company, its subsidiaries, consolidated VIE and VIE's subsidiaries.

The VIE arrangements

The Group operates its cloud communication business in the PRC through Beijing Ronglian Yitong Information Technology Co., Ltd. ("Ronglian Yitong", or the "VIE"), a limited liability company established under the laws of the PRC on March 31, 2009. Ronglian Yitong and its subsidiaries holds the necessary PRC operating licenses for the online businesses. The equity interests of Ronglian Yitong are legally held by Mr. Changxun Sun, the founder, chairman of board of directors and chief executive officer, Mr. Jianhong Zhou, the director of the Company, Lhasa Heye Investment Management Co., Ltd., and Beijing Hongshan Shengde Equity Investment Center (Limited Partnership) who act as nominee equity holders of the VIE on behalf of Anxun Guantong (Beijing) Technology Co., Ltd. ("Anxun Guantong" or "WFOE"), the Company's wholly-owned subsidiary. A series of contractual agreements, including Powers of Attorney, Exclusive Business Cooperation Agreement, Equity Pledge Agreement, Exclusive Option Agreement and Spousal Consent Letter (collectively, the "VIE Agreements"), were entered among the Company, Anxun Guantong, Ronglian Yitong and its nominee equity holders.

Pursuant to the VIE Agreements, the Company is able to exercise effective control over, bears the risks of, enjoys substantially all of the economic benefits of the VIE, and has an exclusive option to purchase all or part of the equity interests in the VIE when and to the extent permitted by the PRC law at the lowest price possible. The Company's management concluded that Ronglian Yitong is a VIE and the Company is its primary beneficiary. As such, the consolidated financial statements of the VIE are included in the consolidated financial statements of the Company.

The principal terms of the VIE Agreements are further described below.

1) Powers of Attorney

The Company and each of the equity holders of Ronglian Yitong entered into Powers of Attorney. Pursuant to the Powers of Attorney, the equity holders of Ronglian Yitong irrevocably appointed Anxun Guantong as their attorney-in-fact to exercise all equity holder rights, including, but not limited to, proposing, convening and attending in the equity holders' meeting, appointing or removing directors, executive officers and senior management, disposing of all or part of the equity holder's interests in Ronglian Yitong, casting the equity holders' votes on matters requiring equity holders' approval and doing all other acts in the capacity of the equity holders as permitted by Ronglian Yitong's Memorandum and Articles of Association. In addition, the Company has a right to assign its rights and benefits under the Powers of Attorney to any other parties without an advance notice to the equity holders of Ronglian Yitong. The Powers of Attorney shall continue in force and be irrevocable as long as the equity holders of Ronglian Yitong remain as the equity holders of Ronglian Yitong.

2) Exclusive Business Cooperation Agreement

Anxun Guantong and Ronglian Yitong entered into an Exclusive Business Cooperation Agreement, whereby Anxun Guantong is appointed as the exclusive service provider for the provision of business support, technology and consulting services to Ronglian Yitong. Unless a written consent is given by Anxun Guantong, Ronglian Yitong is not allowed to engage a third party to provide such services, while Anxun Guantong is able to designate another party to render such services to Ronglian Yitong. Ronglian Yitong shall pay Anxun Guantong on a monthly basis a service fee, which shall be equal to 100% of the monthly net profits of Ronglian Yitong, and Anxun Guantong has the sole discretion to adjust the basis of calculation of the service fee amount according to service provided to Ronglian Yitong. Anxun Guantong owns the exclusive intellectual property rights, whether created by Anxun Guantong or Ronglian Yitong, as a result of the performance of the Exclusive Business Cooperation Agreement unless terminated in writing by Anxun Guantong. The Exclusive Business Cooperation Agreement may be extended if confirmed in writing by Anxun Guantong prior to the expiration thereof. The extended term shall be determined by Anxun Guantong, and Ronglian Yitong shall accept such extended term unconditionally.

3) Equity Pledge Agreement

An Equity Pledge Agreement was entered into by and among Anxun Guantong, Ronglian Yitong and equity holders of Ronglian Yitong. To guarantee payment from Ronglian Yitong, including but not limited to the service fee pursuant to the Exclusive Business Cooperation Agreement, and the performance of Ronglian Yitong and the nominee equity holders' obligations under the contractual arrangements including the Exclusive Business Cooperation Agreement, Exclusive Option Agreement and Powers of Attorney, the equity holders of Ronglian Yitong pledged their respective equity in Ronglian Yitong to Anxun Guantong under the Equity Pledge Agreement as collateral. In the event Ronglian Yitong fails to pay Anxun Guantong its service fee, Anxun Guantong will have the right to sell the pledged equity and apply the proceeds received to pay any outstanding service fees due by Ronglian Yitong to Anxun Guantong. The equity holders of Ronglian Yitong agree that, during the term of the Equity Pledge Agreement, they will not dispose of the pledged equity or create or allow any encumbrance on the pledged equity, and they also agree that Anxun Guantong's rights relating to the equity pledges shall not be prejudiced by any legal actions of the equity holders of Ronglian Yitong, their successors or their designees. Except that the pledge of approximately 1.55% of the equity interests of VIE is subject to the registration in compliance with the PRC Property Rights Law, the equity pledge was registered with the relevant local administration for industry and commerce in October 2019 and may only be terminated upon the fulfillment of all contractual obligations under the Exclusive Business Cooperation Agreement, Exclusive Option Agreement and Powers of Attorney. During the term of the Equity Pledge Agreement, Anxun Guantong is entitled to receive dividends attributable to the pledged Ronglian Yitong equity.

4) Exclusive Option Agreement

Each of the equity holders of Ronglian Yitong entered into an Exclusive Option Agreement with Anxun Guantong, and Ronglian Yitong, pursuant to which the equity holders of Ronglian Yitong granted Anxun Guantong or other person upon the designation by Anxun Guantong, an irrevocable and exclusive option to purchase, at its discretion and to the extent permitted under the PRC law, all or part of the equity holders' interests in Ronglian Yitong at the lowest price that the PRC law permits at the time unless a valuation of the equity is required by the PRC law. The equity holders of Ronglian Yitong commit that without the prior written consent of Anxun Guantong, the equity holders of Ronglian Yitong will not, among other things, (1) change or amend the Memorandum and Articles of Association, increase or decrease Ronglian Yitong's registered capital, change its structure of registered capital in other manners; (2) sell, transfer, mortgage or dispose of in any manner any assets of Ronglian Yitong or legal or beneficial interest in the business or revenue of Ronglian Yitong, or allow the encumbrance thereon of any security interest; (3) incur, inherit, guarantee or suffer the existence of any debt, except for (i) debts incurred in the ordinary course of business other than through loans and (ii) debts disclosed to Anxun Guantong for which Anxun Guantong's written consent has been obtained; (4) providing any person with any loan or credit or guarantee in any form; (5) cause or permit Ronglian Yitong to merge, consolidate with, acquire or invest in any person, and/or sell permit Ronglian Yitong to sell assets with a value of over RMB500,000; (6)in any manner distribute dividends to its shareholders; (7) create any pledge or encumbrance on their equity interests in Ronglian Yitong; (8) transfer or otherwise dispose of their equity interests in Ronglian Yitong and its equity holders shall appoint those individuals recommended by Anxun Guantong as directors of Ronglian Yitong. Ronglian Yitong shall provide operating and financial information to the Company at the request of Anxun Guantong and ensure the continuance of the business. The Exclusive Option Agreement will remain effective until all equity interests in Ronglian Yitong held by its equity holders are transferred or assigned to the Company or its designee. Ronglian Yitong and its equity holders shall not have any right to terminate the Exclusive Option Agreement.

5) Spousal Consent Letter

Pursuant to the Spousal Consent Letters executed by the spouse of the principal individual shareholder of the VIE, the signing spouse confirmed that she does not enjoy any right or interest in connection with the equity interests of the VIE. The spouse also irrevocably agreed that she would not claim in the future any right or interest in connection with the equity interests in the VIE held by her spouse.

Risks in relation to the VIE structure

In the opinion of the Company's management, the VIE Agreements have resulted in the WFOE having the power to direct activities that most significantly impact the VIE, including appointing key management, setting up operating policies, exerting financial controls and transferring profit or assets out of the VIE at its discretion. The Company considers that it has the right to receive all the benefits and assets of the VIE. As the VIE was established as a limited liability company under the PRC law, its creditors do not have recourse to the general credit of the Company for the liabilities of the VIE, and the Company does not have the obligation to assume the liabilities of the VIE.

The Company has determined that the VIE Agreements are in compliance with the PRC laws and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce the VIE Agreements; and if the equity holders of the VIE were to reduce their interest in the Company, their interests may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual terms.

The Company's ability to control the VIE also depends on the rights provided to the Company under the Powers of Attorney to vote on all matters requiring equity holders' approval in the respective VIE. As noted above, the Company believes these Powers of Attorney are legally enforceable but yet they may not be as effective as direct equity ownership. In addition, if the corporate structure of the Group or the contractual arrangements among the Company, Anxun Guantong, the VIE and its respective equity holders were found to be in violation of any existing PRC laws and regulations, the relevant PRC regulatory authorities could:

- revoke the business license and/or operating licenses of such entities;
- discontinue or place restrictions or onerous conditions on the Group's operations;
- impose fines, confiscating the income from the VIE, or imposing other requirements with which the Group may not be able to comply;
- require the Group to restructure its ownership structure or operations, including terminating the contractual arrangements with the VIE and deregistering the equity pledges of the VIE, which in turn would affect the Company's ability to consolidate, derive economic interests from, or exert effective control over the VIE; or
- restrict or prohibit our use of the proceeds of this offering to finance our business and operations in the PRC.

The imposition of any of the above restrictions or actions may result in a material and adverse effect on the Group's ability to conduct its business. In addition, if the imposition of any of these restrictions causes the Company to lose the right to direct the activities of the VIE or the right to receive its economic benefits, the Company would no longer be able to consolidate the VIE. The Company's management believes that the likelihood to lose the Company's current ownership structure or the contractual arrangements with the VIE is remote based on the current facts and circumstances.

There is no VIE in which the Company has a variable interest but is not the primary beneficiary. Currently there is no contractual arrangement that could require the Company to provide additional financial support to the VIE.

The following consolidated assets and liabilities information of the Group's VIE as of December 31, 2024 and 2025, and consolidated revenues, net loss and cash flow information for the years then ended, have been included in the accompanying consolidated financial statements:

	December 31,	
	2024	2025
	RMB	RMB
Cash	139,299	159,481
Restricted cash	10,396	7,727
Accounts receivable - third parties, net	112,705	133,813
Accounts receivable - related parties, net*	49,603	51,573
Contract assets	27,752	57,290
Amounts due from related parties	8,575	20,835
Prepayments and other current assets	73,556	59,664
Total current assets	**421,886**	**490,383**
Long-term investments	54,052	53,269
Property and equipment, net	6,759	5,029
Operating lease right-of-use assets	6,856	9,214
Intangible assets, net	11,507	9,076
Goodwill	54,427	54,427
Other non-current assets	2,949	2,533
Total assets	**558,436**	**623,931**
Accounts payable	84,134	116,020
Contract liabilities	299,010	299,279
Amounts due to related parties**	2,207,995	2,316,709
Operating lease liabilities-current	3,930	5,574
Accrued expenses and other current liabilities	60,321	67,249
Total current liabilities	**2,655,390**	**2,804,831**
Operating lease liabilities-non current	2,707	2,186
Deferred income tax liabilities	466	76
Total liabilities	**2,658,563**	**2,807,093**

* Accounts receivable-related parties, net includes accounts receivable, net due from the Company and its subsidiaries, which are eliminated upon consolidation, and accounts receivable, net due from one of the Company's shareholders and other related parties of RMB389 and RMB488 as of December 31, 2024 and 2025.

** Amounts due to related parties include amounts due to the Company and its subsidiaries, which are eliminated upon consolidation, and amounts due to one of the Company's shareholders and other related parties of RMB154 and RMB391 as of December 31, 2024 and 2025.

	Year ended December 31,		
	2023	2024	2025
	RMB	*RMB*	*RMB*
Revenues	553,910	563,277	495,463
Net loss	(232,856)	(33,078)	(82,869)
Net cash provided by/ (used in) operating activities	(184,395)	46,516	(46,311)
Net cash used in investing activities	(6,700)	(3,216)	(12,508)
Net cash provided by/ (used in) financing activities	218,926	(4,712)	76,333
Net increase in cash and restricted cash	27,831	38,588	17,514
Cash and restricted cash at the beginning of the year	83,275	111,106	149,694
Cash and restricted cash at the end of the year	111,106	149,694	167,208

In accordance with VIE Agreements, WFOE has the power to direct the activities of the VIE. Therefore, the Company considers that there are no assets in the VIE that can be used only to settle obligations of the VIE, except for restricted cash of RMB10,396 and RMB7,727 as of December 31, 2024 and 2025, respectively. The creditors of VIEs do not have recourse to the general credit of WFOE.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The accompanying consolidated financial statements contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. The realization of assets and the satisfaction of liabilities in the normal course of business are dependent on, among other things, the Group's ability to operate profitably, to generate cash flows from operations, and its ability to attract investors and to borrow funds on reasonable economic terms.

(b) Principles of Consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, the VIE for which the WFOE is the primary beneficiary, and the VIE's subsidiaries.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power or has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at the meeting of directors. A VIE is an entity in which the Company, or its subsidiary, through contractual arrangements, exercises effective control over the activities that most impact the economic performance, bears the risks of, and enjoys the rewards normally associated with ownership of the entity, and therefore the Company or its subsidiary is the primary beneficiary of the entity.

All intercompany transactions and balances among the Company, its subsidiaries, the VIE, and the VIE's subsidiaries have been eliminated upon consolidation.

The following table lists major subsidiaries and the consolidated VIEs of the Company as of December 31, 2025:

	Palace of Incorporation	Percentage of ownership
Beijing Ronglian Yitong Information Technology Co., Ltd.	PRC	VIE
Beijing Ronglian Qimo Technology Co., Ltd.	PRC	100%
Beijing Ronglian Guanghui Technology Co., Ltd.	PRC	100%
Beijing Baiyi High-tech Information Technology Co., Ltd.	PRC	100%
Beijing Ronglian Huitong Technology Information Co., Ltd.	PRC	100%
Shenzhen Zhongtian Wangjing Technology Co., Ltd.	PRC	100%
Cloopen Japan Co., Ltd.	Japan	100%
Anxun Guantong (Beijing) Technology Co., Ltd.	PRC	100%
Cloopen limited	HK	100%

(c) Use of Estimates

The preparation of the consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures of contingent assets and liabilities at the balance sheet date, and the reported revenues and expenses during the reported period in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates, and as such, differences may be material to the consolidated financial statements. Significant accounting estimates reflected in the Group's financial statements include, but not limited to, revenue recognition, fair value of assets and liabilities acquired in business combination, the allowance for credit loss of accounts receivable and contract assets, depreciable lives and recoverability of property and equipment and intangible assets, assessment of impairment of long-lived assets, intangible assets and goodwill, the realization of deferred income tax assets, the fair value of share based compensation awards, short-term investments, equity method investments, other equity investments, incremental borrowing rates for operating lease liabilities, and management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances.

In March 2020, the World Health Organization declared the outbreak of a disease caused by a novel strain of the coronavirus ("COVID-19") to be a pandemic. After the initial outbreak of the COVID-19, some instances of COVID-19 infections have emerged from time to time. The COVID-19 pandemic has created and may continue to create significant uncertainty in the macroeconomic environment which, in addition to other unforeseen effects of this pandemic, may adversely impact the Group's results of operations. The extent to which COVID-19 would impacts the results of operations is contingent on the future developments of the outbreak, including constant updates concerning the global severity of and actions needed to contain the outbreak, which are highly uncertain and unpredictable. Due to the uncertainty and the economic implications on global economics conditions from the COVID-19 pandemic, certain estimates and assumptions may change in the near term.

(d) Convenience Translation

Translations of the consolidated financial statements from RMB into US$ as of and for the year ended December 31, 2025 are solely for the convenience of the readers and were calculated at the rate of US$1.00 = RMB6.9931, representing the noon buying rate in The City of New York for cable transfers of RMB as set forth in the H.10 weekly statistical release of Federal Reserve Board on December 31, 2025. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US$ at that rate on December 31, 2025, or at any other rate.

(e) Commitments and Contingencies

In the normal course of business, the Group is subject to loss contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters, including, among others, government investigations, shareholder lawsuits, and non-income tax matters. An accrual for a loss contingency is recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed.

(f) Business combinations

Business combinations are recorded using the acquisition method of accounting in accordance with ASC topic 805 ("ASC 805"): Business Combinations. The acquisition method of accounting requires an acquirer to determine the identifiable acquired assets, the liabilities assumed and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date. The consideration transferred for an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities assumed, and equity instruments issued as well as the contingent considerations as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total cost of the acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings.

(g) Cash

Cash consists of cash on hand and cash at bank. Cash at bank are deposited in financial institutions at below locations:

	December 31,	
	2024	2025
	RMB	RMB
Cash balances include deposits in: Financial institutions in the mainland of the PRC		
—Denominated in Renminbi ("RMB")	257,829	217,384
—Denominated in US$	160,963	24,162
Total cash balances held at mainland PRC financial institutions	**418,792**	**241,546**
Financial institutions in Hong Kong Special Administrative Region ("HKSAR")		
—Denominated in US$	180,551	-
— Denominated in Renminbi ("RMB")	-	45,973
Total cash balances held at HKSAR financial institutions	**180,551**	**45,973**
Financial institutions in Japan		
—Denominated in Japanese Yen	25,265	18,450
— Denominated in United Stated Dollars ("USD")	11,030	10,570
Total cash balances held at Japan financial institutions	**36,295**	**29,020**
Financial institutions in Malaysia		
—Denominated in Malaysian Ringgit	842	463
—Denominated in US$	77	174
Total cash balances held at Malaysia financial institutions	**919**	**637**
Financial institutions in Singapore		
—Denominated in SGD	1,978	2,202
— Denominated in United Stated Dollars ("USD")	1,166	4,756
Total cash balances held at Singapore financial institutions	**3,144**	**6,958**
Financial institutions in Korean		
— Denominated in Korean Won ("KRW")	362	-
— Denominated in United Stated Dollars ("USD")	49	-
Total cash balances held at Korean financial institutions	**411**	-
Financial institutions in Mexico		
— Denominated in United Stated Dollars ("USD")	**7**	-
Total cash balances held at Korean financial institutions	**7**	-
Total cash balances held at financial institutions	**640,119**	**324,134**
Total cash balances	**640,119**	**324,134**

The bank deposits, including term deposits, with financial institutions in the mainland of the PRC and Japan are insured by the government authorities up to RMB500 and JPY10,000, respectively. The bank deposits including term deposits are insured by the government authorities with amounts up to RMB20,422 and RMB21,177 as of December 31, 2024 and 2025, respectively. The Company has not experienced any losses in uninsured bank deposits and does not believe that it is exposed to any significant risks on cash held in bank accounts. To limit exposure to credit risk, the Company primarily places bank deposits with large financial institutions in the PRC and Japan with acceptable credit rating.

(h) Restricted cash

Cash balances that have restrictions as to withdrawal or usage are considered restricted cash. Restricted cash that will be released to cash within the next 12 months is classified as current asset, while the balance restricted for use longer than one year is classified as non-current asset on the consolidated balance sheets.

(i) Term deposits

Term deposits represent deposits at banks with original maturities more than three months but less than one year. The Group's term deposits were denominated in US$ and were deposited at financial institutions in the mainland of the PRC with the interest rate of 4.72%, and 3.05% per annum as of December 31, 2024 and 2025, respectively.

Term deposits maintained at financial institutions consist of the following:

	2024 RMB	2025 RMB
US$ denominated bank deposits with financial institutions in the PRC	222,783	211,463

To limit exposure to credit risk relating to bank deposits, the Company primarily places term deposits only with large financial institutions in the PRC with acceptable credit rating.

(j) Short-term Investments

The Group's short-term investments represent the Group's investments in financial products managed by financial institutions in the PRC and Cayman which are redeemable at the option of the Group on any working day. Short-term investments are classified as available for sale debt securities and reported at fair value, with unrealized holding gains or losses, net of any related income tax effect, excluded from earnings and recorded as accumulated other comprehensive loss until realized. Realized gains or losses from the sale of short-term investments are determined on a specific identification basis and are recorded as investment income when earned.

(k) Accounts Receivable, net

Prior to January 1, 2023, the Company assesses recoverability of accounts receivable in accordance with ASC 310. Subsequent to January 1, 2023, accounts receivable is recorded at the realizable value amount, net of allowances for credit loss in accordance with ASC 326 and records the allowance for credit losses as an offset to accounts receivable. The estimated credit losses are classified as "General and administrative" in the consolidated statements of comprehensive loss. The Company assesses collectability by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when the Company identifies specific customers with known disputes or collectability issues. In determining the amount of the allowance for credit losses using probability-of-default method, the Company considers size, the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses, and other factors that may affect the Company's ability to collect from customers.

(l) Long-term investments

Equity method investments

The Group applies the equity method to account for an equity interest in an investee over which the Group has significant influence but does not own a majority equity interest or otherwise control.

Under the equity method of accounting, the Group's share of the investee's results of operations is reported as share of losses of equity method investments in the consolidated statements of comprehensive loss.

The Group recognizes an impairment loss when there is a decline in value below the carrying value of the equity method investment that is considered to be other than temporary. The process of assessing and determining whether impairment on an investment is other than temporary requires a significant amount of judgment. To determine whether an impairment is other than temporary, management considers whether it has the ability and intent to hold the investment until recovery and whether evidence indicating the carrying value of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the decline in value, any change in value subsequent to the period end, and forecasted performance of the investee.

Other equity investments

The Group elects the measurement alternative in ASC 321 and measures investments in "equity investment" at cost, adjusted for changes resulting from impairments and observable price changes in orderly transactions for identical or similar securities of the same issuer. The Group considers information in periodic financial statements and other documentation provided by the investees to determine whether observable price changes have occurred.

The Group makes a qualitative assessment considering impairment indicators to evaluate whether the equity investments without a readily determinable fair value is impaired at each reporting period, and written down to its fair value if a qualitative assessment indicates that the investment is impaired and the fair value of the investment is less than its carrying value. If an equity investment without a readily determinable fair value is impaired, the Group includes an impairment loss in net income equal to the difference between the fair value of the investment and its carrying amount.

(m) Property and Equipment, net

Property and equipment are stated at cost less accumulated depreciation and any recorded impairment.

The estimated useful lives are as follows:

Computer and office equipment	3-5 years
Furniture and fixtures	3-5 years
Motor vehicles	4-5 years
Buildings	20 years
Leasehold improvements	The shorter of lease terms and estimated useful lives

Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets.

When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value and the proceeds received thereon. Ordinary maintenance and repairs are charged to expense as incurred.

(n) Intangible Assets, net

Intangible assets purchased from third parties are initially recorded at cost and amortized on a straight-line basis over the estimated economic useful lives. The Group performs valuation of the intangible assets arising from business combination to determine the fair value to be assigned to each asset acquired. The acquired intangible assets are recognized and measured at fair value and are expensed or amortized using the straight-line approach over the estimated economic useful lives of the assets.

The estimated useful lives of intangible assets are as follows:

Software copyrights	8 years
Telecommunication business operation licenses	3-5 years
Technology	6-10 years
Non-compete arrangements	4-7 year
Customer relationship	3-10 years
Trademark	10 years
Order backlogs	1-4 years
Software	3-8 years

(o) Goodwill

Goodwill represents the excess of the purchase consideration over the acquisition date amounts of the identifiable tangible and intangible assets acquired and liabilities assumed from the acquired entity as a result of the Company's acquisitions of interests in its subsidiaries. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. In accordance with ASC 350, the Company may first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. In the qualitative assessment, the Company considers factors such as macroeconomic conditions, industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations, business plans and strategies of the reporting unit, including consideration of the impact of the COVID-19 pandemic. Based on the qualitative assessment, if it is more likely than not that the fair value of a reporting unit is less than the carrying amount, the quantitative impairment test is performed. The Company may also bypass the qualitative assessment and proceed directly to perform the quantitative impairment test.

The Company performs the quantitative impairment test by comparing the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount of a reporting unit exceeds its fair value, the amount by which the carrying amount exceeds the reporting unit's fair value is recognized as impairment. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, allocation of assets, liabilities and goodwill to reporting units, and determination of the fair value of each reporting unit.

(p) Impairment of Long-lived Assets

Long-lived assets such as property and equipment and intangible assets with finite lives are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be fully recoverable or that the useful life is shorter than the Group had originally estimated. When these events occur, the Group evaluates the impairment for the long-lived assets by comparing the carrying value of the assets to an estimate of future undiscounted cash flows expected to be generated from the use of the assets and their eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying value of the assets, the Group recognizes an impairment loss based on the excess of the carrying value of the assets over the fair value of the assets.

(q) Value Added Taxes

The Company's PRC subsidiaries are subject to value added tax ("VAT"). Revenue from providing cloud communication services and communication devices sales are generally subject to VAT at the rate of 6% and 13% since April 1, 2019, or 6% to 16% between May 1, 2018 and April 1, 2019, and subsequently paid to PRC tax authorities after netting input VAT on purchases. The excess of output VAT over input VAT is reflected in accrued expenses and other current liabilities, and the excess of input VAT over output VAT is reflected in prepayments and other current assets in the consolidated balance sheets.

(r) Fair Value Measurements

Fair value represents the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

Accounting guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Accounting guidance establishes a three-level fair value hierarchy and requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs are:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2—Include other inputs that are directly or indirectly observable in the marketplace.
Level 3—Unobservable inputs which are supported by little or no market activity.

Accounting guidance also describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

Financial assets and liabilities of the Group primarily consist of cash, restricted cash, term deposits, short-term investments, accounts receivable - third parties, net, accounts receivable – a related party, net, other receivables included in prepayments and other current assets, long-term investment, amounts due from a related party, accounts payable, contract liabilities, amounts due to related parties, and other payables included in accrued expenses and other current liabilities. The Group measures short-term investments at fair value on a recurring basis. Short-term investments include financial products issued by financial institutions, which are valued based on prices per units quoted by issuers and are categorized in Level 2 of the fair value hierarchy.

The Group's non-financial assets, such as intangible assets and property and equipment, would be measured at fair value only if they were determined to be impaired.

(s) Revenue recognition

The Group accounts for its revenue contracts in accordance with ASC Topic 606, Revenue from Contracts with Customers (ASC 606). According to ASC 606, revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services. The Group determines revenue recognition through the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

The Group generate substantially all of the Group's revenues from the following services and products:

(1) Communication Platform-as-a-Service ("CPaaS") which allows customers to send text messages and place voice calls using the Company's cloud-based platform;

(2) Cloud-based Contact Centers ("Cloud-based CC") with which customers can operate their virtual contact centers and access related value-added services using the Company's cloud-based platform; and

(3) Cloud-based Unified Communications and Collaborations ("Cloud-based UC&C") where the Company creates customized communications software on customers' private clouds to meet their specific needs and deliver the software licenses to customers.

The Company recognizes revenue upon the transfer of control of promised products or services provided to the Company's customers, in the amount of consideration the Company expect to receive for those products or services (excluding sales taxes collected on behalf of government authorities). The Company's revenue contracts generally do not include a right of return in relation to the delivered products or services.

The timing of revenue recognition may differ from the timing of invoicing to the Company's customers. The Company record a contract asset when revenue is recognized prior to invoicing, and a contract liability when payment is received from a customer in advance of revenue recognition. The Company generally issue invoices based on contract terms, which may be when the services are completed, upon customer acceptance of the Company's deliverables or at preset milestones. Payments are due with standard payment terms which are generally not more than 90 days from invoice issuance.

We recognize the incremental costs of obtaining contracts as selling, general and administrative expenses when incurred if the amortization period of the asset that otherwise would have been recognized is one year or less. Assets recognized for costs to obtain a contract were not material as of December 31, 2025. Costs to fulfill a contract are recorded as assets if they relate directly to a contract or a specific anticipated contract, the costs generate or enhance resources that will be used in satisfying performance obligations in the future and the costs are expected to be recovered. Costs to fulfill a contract recognized as assets primarily consist of labor and materials costs and generally relate to engineering and set-up costs incurred prior to the satisfaction of performance obligations. Assets recognized for costs to fulfill a contract are included in the "Prepaid expenses and other current assets" line of the consolidated balance sheets and were not material as of December 31, 2025. Such assets are recognized as expenses as we transfer the related goods or services to the customer. All other costs to fulfill a contract are expensed as incurred.

As of December 31, 2025, there were no material amounts of remaining performance obligations that are required to be disclosed. As permitted by ASC 606, we have elected not to disclose information about remaining performance obligations where i) the performance obligation is part of a contract that has an original expected duration of one year or less or ii) when we recognize revenue from the satisfaction of the performance obligation in accordance with the right-to-invoice practical expedient.

CPaaS revenues

The Company accounts for revenue from customers' usage of text message and voice call services on the Company's CPaaS platform as two separate performance obligations. The Company's service fees are determined by applying the contractual unit price to the monthly usage volume of text messages sent or minutes of voice calls placed and a contractual monthly fixed charge per subscriber multiplied by the number of subscribers recorded by the Company's CPaaS platform where relevant. The cloud-based services to send text messages and place voice calls are sold separately to customers with observable standalone selling prices.

The Company also provides services as an agent in provision of CPaaS platforms to customers. The Company identified one performance obligation and recognized the revenues, on a monthly basis, at the amount equal to the difference between the amount charged to the customers and the amount charged by telecommunication operators. The net amount of revenue from services as an agent was RMB16 million, RMB15 million and RMB11 million for the years ended December 31, 2023, 2024 and 2025, respectively.

The service contracts are generally with a length between 3 and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide the customer with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant the Company or customers a unilateral right to terminate the contracts before completion.

Cloud-based CC revenues

Customers subscribe to the Company's basic Cloud-based CC services at a fixed monthly fee and pay for other value-added services on a usage basis. The Company recognizes the monthly service fees ratably over the contract period during which the Company is obligated to grant customers continuous access to those basic Cloud-based CC services. Revenue for other value-added services on top of the basic subscription is determined by applying the contractual unit price to the monthly usage volume and recognized when the related services are provided to customers. The basic subscription is sold to customers at the same price with or without the value-added services, so the transaction price is allocated on the basis of observable stand-alone selling prices.

The service contracts are generally with a length between 3 and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide customers with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant the Company or customers a unilateral right to terminate the contracts before completion.

The Company also offers customized Cloud-based CC solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. The Company has identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized CC license and other highly interdependent and interrelated services, and has accounted for the promise as one combined performance obligation. The Company applies an iterative process to design, test and implement the software in customers' IT environment and recognizes revenue for this performance obligation over a period of time during which the control of the customized Cloud-based CC solution is progressively transferred to the customers. The Company uses an input method to estimate progress, based on the proportion of the labour hours incurred relative to the estimated total labour hours. The Company also offers standard or non-complex cloud-based CC solutions to customers, and has identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. The Company's Cloud-based CC contracts generally include a standard assurance-type warranty.

Cloud-based UC&C revenues

The Company offers customized Cloud-based UC&C solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. The Company has identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized UC&C license and other highly interdependent and interrelated services, and has accounted for the promise as one combined performance obligation. The Company applies an iterative process to design, test and implement the software in customers' IT environment and recognizes revenue for this performance obligation over a period of time during which the control of the customized UC&C solution is progressively transferred to the customers. The Company uses an input method to estimate progress, based on the proportion of the labour hours incurred relative to the estimated total labour hours. The Company also offers standard or non-complex cloud-based UC&C solutions to customers, and has identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. Our cloud-based UC&C contracts generally include a standard assurance-type warranty.

(t) Cost of Revenues

Cost of revenues mainly consists of payroll and related costs for employees, communication service expense associated with the use of facilities and equipment by these employees, such as rental and depreciation expenses, communication service expense charges to telecom operators or its distributors and cloud service fees to cloud service providers.

(u) Research and Development Expenses

Research and development expenses mainly consist of payroll and related costs for employees involved in researching in the field of cloud communication, and outsourced design expenses as well as expenses associated with the use by these functions of facilities and equipment, such as rental and depreciation expenses. Research and development expenses are expensed as incurred in accordance with ASC 730 amounted to RMB222,538, RMB177,000 and RMB139,081 for the years ended December 31, 2023, 2024 and 2025, respectively.

(v) Selling and Marketing Expenses

Selling and marketing expenses mainly consist of advertising expenses, promotion expenses, payroll and related expenses for personnel engaged in selling and marketing activities and expenses associated with the use by these functions of facilities and equipment, such as rental and depreciation expenses. Advertising expenses are expensed when incurred and are included in selling expenses in the consolidated statements of comprehensive loss. For the years ended December 31, 2023, 2024 and 2025, the advertising expenses were RMB42,885, RMB39,154 and RMB28,433 respectively.

(w) General and Administrative Expenses

General and administrative expenses mainly consist of payroll and related costs for employees involved in general corporate functions, expenses associated with the use of facilities and equipment by these employees, such as rental and depreciation expenses, professional fees and other general corporate expenses.

(x) Share-based Compensation

The Group applied ASC 718, *Compensation-Stock Compensation* ("ASC 718"), to account for its employee share-based payments. Share-based awards granted to the founders and employees in the form of restricted shares are measured at the grant date fair value of the awards, and are recognized as compensation expense using the graded-vesting schedules over the requisite service period for each separately vesting portion (or tranche) of the award. The Group elects to recognize the effect of forfeitures in compensation cost when they occur. To the extent the required vesting conditions are not met resulting in the forfeiture of the share-based awards, previously recognized compensation expense relating to those awards is reversed.

Share-based compensation in relation to the restricted ordinary shares is measured based on the fair value of the Company's ordinary shares at the grant date of the award, which is estimated using the income approach and equity allocation method. Estimation of the fair value of the Company's ordinary shares involves significant assumptions that might not be observable in the market, and a number of complex and subjective variables, discount rate, risk-free interest rate and subjective judgments regarding the Company's projected financial and operating results, its unique business risks, the liquidity of its ordinary shares and its operating history and prospects at the time the grants are made. Share-based compensation in relation to the share options is estimated using the binominal option pricing model. The determination of the fair value of share options is affected by the fair value of the Company's ordinary shares as well as the assumptions regarding a number of complex and subjective variables, including the expected share price volatility, risk-free interest rate, exercise multiple and expected dividend yield. The fair value of these awards was determined by management with the assistance from a valuation report prepared by an independent valuation firm using management's estimates and assumptions.

A change in any of the terms or conditions of share-based awards is accounted for as a modification of the awards. The Company calculates incremental compensation cost of a modification as the excess of the fair value of the modified awards over the fair value of the original awards immediately before its terms are modified at the modification date. For vested awards, the Company recognizes incremental compensation cost in the period the modification occurs. For awards not being fully vested, the Company recognizes the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original awards over the remaining requisite service period after modification.

(y) Employee Benefits

The Company's subsidiaries and the VIE and VIE's subsidiaries in the PRC participate in a government mandated, multi-employers, defined contribution plan, pursuant to which certain retirement, medical, housing and other welfare benefits are provided to employees. PRC labor laws require the entities incorporated in the PRC to pay to the local labor bureau a monthly contribution calculated at a stated contribution rate on the monthly basic compensation of qualified employees. The Company also makes payments to other defined contribution plans and defined benefit plans for the benefit of employees employed by the subsidiary of Japan. The Group has no further commitments beyond its monthly contribution. Employee social benefits included as expenses in the accompanying consolidated statements of comprehensive loss amounted to RMB86,198, RMB65,998 and RMB64,390 for the years ended December 31, 2023, 2024 and 2025, respectively.

(z) Income Taxes

The Company follows the asset and liability method in according for income taxes in according to ASC topic 740 "Taxation" ("ASC 740"), Income Taxes, under this method, current income taxes are provided on the basis of income before income taxes for financial reporting purposes, and adjusted for income and expense items which are not assessable or deductible for income tax purposes, deferred income taxes are provided using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the tax effects of temporary differences and are determined by applying enacted statutory tax rates that will be in effect in the period in which the temporary differences are expected to reverse to the temporary differences between the financial statements' carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided to reduce the amount of deferred income tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred income tax assets will not be realized. The effect on deferred income taxes arising from a change in tax rates is recognized in the consolidated statements of comprehensive loss in the period of change.

The Company adopts ASC740 to account for uncertainty in income taxes. ASC740 clarifies a "more likely than not" recognition threshold in the evaluation of uncertain tax positions. The Group recognizes the benefit of a tax position in its consolidated financial statements if the tax position is "more likely than not" to prevail based on the facts and technical merits of the position. Tax positions that meet the "more likely than not" recognition threshold is measured at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. Unrecognized tax benefits may be affected by changes in interpretation of laws, rulings of tax authorities, tax audits, and expiry of statutory limitations. In addition, changes in facts, circumstances and new information may require the Group to adjust the recognition and measurement estimates with regard to individual tax positions. Accordingly, unrecognized tax benefits are periodically reviewed and re-assessed. Adjustments, if required, are recorded in the Group's consolidated financial statements in the period in which the change that necessities the adjustments occur. The ultimate outcome for a particular tax position may not be determined with certainty prior to the conclusion of a tax audit and, in certain circumstances, a tax appeal or litigation process. The Group records interest and penalties related to unrecognized tax benefits (if any) in interest expenses and general and administrative expenses, respectively. As of December 31, 2024 and 2025, the Group did not have any significant unrecognized uncertain tax positions.

(aa) Operating Leases

The Company adopted ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02") from January 1, 2022 by using the modified retrospective method and did not restate the comparable periods. The Company has elected the package of practical expedients, which allows the Company not to reassess (1) whether any expired or existing contracts as of the adoption date are contain a lease, (2) lease classification for any expired or existing leases as of the adoption date and (3) initial direct costs for any expired or existing leases as of the adoption date. The Company also elected the short-term lease exemption for all contracts with lease terms of 12 months or less.

The Company determines if an arrangement is a lease or contains a lease at lease inception. Leases are classified at the inception date as either as a finance lease or an operating lease. The Company classifies a lease as a finance lease when the lease meets any one of the following criteria at lease commencement:

a. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.

b. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

c. The lease term is for a major part of the remaining economic life of the underlying asset.

d. The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments equals or exceeds substantially all of the fair value of the underlying asset.

e. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the Company at the end of the lease term.

For operating leases, the Company recognizes an ROU asset and a lease liability based on the present value of the lease payments over the lease term on the consolidated balance sheets at commencement date. At lease commencement, operating lease ROU assets represent the right to use underlying assets for their respective lease terms and are recognized at amounts equal to the lease liabilities adjusted for any lease payments made prior to the lease commencement date, less any lease incentives received and any initial direct costs incurred by the Company.

After lease commencement, operating lease liabilities are measured at the present value of the remaining lease payments using the discount rate determined at lease commencement.

Operating lease ROU assets are measured at the amount of the lease liabilities and further adjusted for prepaid or accrued lease payments, the remaining balance of any lease incentives received, unamortized initial direct costs and impairment of the ROU assets, if any. Operating lease expense is recorded as a single cost on a straight-line basis over the lease term.

The Company's leases do not provide an implicit rate, the Company estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located.

(bb) Foreign Currency Translation and Foreign Currency Risks

The Company's reporting currency is RMB. The functional currency of the Company and its subsidiary incorporated at Hong Kong S.A.R. is the US$. The functional currency of the Company's subsidiary incorporated at Japan is JPY. The functional currency of the Company's PRC subsidiary, the VIE and the VIE's subsidiaries is RMB.

Transactions denominated in currencies other than the functional currency are remeasured into the functional currency at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in a foreign currency are remeasured into the functional currency using the applicable exchange rate at the balance sheet date. The resulted exchange differences are recorded as foreign currency exchange gains (losses), net in the consolidated statements of comprehensive loss.

The financial statements of the Company, its subsidiary incorporated at Hong Kong S.A.R. and its subsidiary incorporated at Japan are translated from the functional currency into RMB. Assets and liabilities are translated into RMB using the applicable exchange rates at the balance sheet date. Equity accounts other than earnings (deficits) generated in the current period are translated into RMB using the appropriate historical rates. Revenues, expenses, gains and losses are translated into RMB using the average exchange rates for the relevant period. The resulted foreign currency translation adjustments are recorded as a component of other comprehensive loss in the consolidated statements of comprehensive loss, and the accumulated foreign currency translation adjustments are recorded as a component of accumulated other comprehensive loss in the consolidated statements of changes in shareholders' deficit.

RMB is not a freely convertible currency. The PRC State Administration for Foreign Exchange, under the authority of the PRC government, controls the conversion of RMB to foreign currencies. The value of RMB is subject to changes of central government policies and international economic and political developments affecting supply and demand in the PRC foreign exchange trading system market.

(cc) Concentration and Risk

Concentration of customers and suppliers

No customers individually represent greater than 10.0% of total revenues of the Group during the years ended December 31, 2023, 2024 and 2025.

Two supplier represents 14.7% and 13.4% of total purchases of the Group during the year ended December 31, 2023, respectively. One supplier represents 19.6% of total purchases of the Group during the year ended December 31,2024. No supplier represents greater than 10.0% of total purchases of the Group during the year ended December 31,2025.

Two customers represent 15.4% and 13.8% of total accounts receivable, net including related party amounts and contract assets of the Group as of December 31, 2023, respectively. One customer represents 16.6% of total accounts receivable, net including related party amounts and contract assets of the Group as of December 31, 2024. Two customers represent 13.2% and 11.6% of total accounts receivable, net including related party amounts and contract assets of the Group as of December 31, 2025, respectively.

Two suppliers represent 14.7% and 11.3% of total accounts payable of the Group as of December 31, 2023, respectively. Two suppliers represent 13.3% and 12.4% of total accounts payable of the Group as of December 31, 2024, respectively. One supplier represents 14.0% of total accounts payable of the Group as of December 31, 2025.

One customer represents 10.2% of total contract liabilities of the Group as of December 31, 2023. No customers individually represent greater than 10.0% of total contract liabilities of the Group as of December 31, 2024. One customer represents 13.0% of total contract liabilities of the Group as of December 31, 2025.

One supplier individually represents 21.0% of prepayments and other current assets excluding related party amounts of the Group as of December 31, 2023. Two suppliers represent 20.8% and 10.8% of prepayments and other current assets excluding related party amounts of the Group as of December 31, 2024, respectively. One supplier represents 23.6% of prepayments and other current assets excluding related party amounts of the Group as of December 31, 2025.

Concentration of credit risk

Financial instruments that potentially expose the Group to concentrations of credit risk consist principally of cash, restricted cash, term deposits, short-term investments and accounts receivable. The total amount of these financial instruments was RMB1,285 million and RMB1,064 million as of December 31, 2024 and 2025.

The Group's investment policy requires cash, restricted cash, term deposits and short-term investments to be placed with high-quality financial institutions and to limit the amount of credit risk from any one issuer. The Group regularly evaluates the credit standing of the counterparties or financial institutions.

The Group conducts credit evaluations on its customers prior to delivery of goods or services. The assessment of customer creditworthiness is primarily based on historical collection records, research of publicly available information and customer on-site visits by senior management. Based on this analysis, the Group determines what credit terms, if any, to offer to each customer individually. If the assessment indicates a likelihood of collection risk, the Company will not deliver the services or sell the products to the customer or require the customer to pay cash, post letters of credit to secure payment or to make significant down payments.

Interest rate risk

The Group's short-term bank borrowings bears interests at fixed rates. If the Group were to renew these loans, the Group might be subject to interest rate risk.

(dd) Loss per Share

In accordance with ASC 260, *Earnings per Share,* basic income (loss) per share is computed by dividing net income (loss) attributable to ordinary shareholders by the weighted average number of ordinary shares and participating securities during the period, considering the accretions to redemption value of the preferred shares, by the weighted average number of ordinary shares outstanding during the year using the two-class method. Under the two-class method, any net income is allocated between ordinary shares and other participating securities based on their participating rights. A net loss is not allocated to participating securities when the participating securities does not have contractual obligation to share losses.

The Company's preferred shares and restricted ordinary shares are participating securities. The preferred shares are participating securities as they participate in undistributed earnings on an as-if-converted basis and the restricted ordinary shares are participating securities as the holders of the restricted ordinary shares have a non-forfeitable right to receive dividends with all ordinary shares. Neither the preferred shares nor the restricted ordinary shares has a contractual obligation to fund or otherwise absorb the Group's losses. Accordingly, any undistributed net income is allocated on a pro rata basis to the ordinary shares, preferred shares and restricted ordinary shares; whereas any undistributed net loss is allocated to ordinary shares only.

Unvested restricted ordinary shares are excluded from the weighted average number of ordinary shares outstanding because the restricted ordinary shareholders must return the restricted ordinary shares to the Company, if the specified condition are not met.

Diluted loss per share is calculated by dividing net loss attributable to ordinary shareholders, as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of shares issuable upon the conversion of the preferred shares and shares issuable upon the exercise of warrants, and ordinary shares issuable upon the vest of restricted ordinary shares or exercise of outstanding share option (using the treasury stock method). Ordinary equivalent shares are calculated based on the most advantageous conversion rate or exercise price from the standpoint of the security holder. Ordinary equivalent shares are not included in the denominator of the diluted loss per share calculation when inclusion of such shares would be anti-dilutive.

(ee) Segment Reporting

The Company's chief operating decision maker has been identified as the chief executive officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. For the purpose of internal reporting and management's operation review, the Company's chief executive officer and management personnel do not segregate the Group's business by product or service. All products and services are viewed as in one and the only operating segment.

(ff) Treasury Stock

The Company accounts for treasury stock using the cost method. Under this method, the cost incurred to purchase the stock is recorded in the treasury stock account on the consolidated balance sheets. At retirement of the treasury stock, the ordinary shares account is charged only for the aggregate par value of the shares. The excess of the acquisition cost of treasury stock over the aggregate par value is allocated between additional paid-in capital and retained earnings.

(gg) Statutory Reserves

In accordance with the PRC Company Laws, the Group's PRC subsidiary, VIE and VIE's subsidiaries must make appropriations from their after-tax profits as determined under the generally accepted accounting principles in the PRC ("PRC GAAP") to non-distributable reserve funds including statutory surplus fund and discretionary surplus fund. The appropriation to the statutory surplus fund must be 10% of the after-tax profits as determined under PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of the PRC companies. Appropriation to the discretionary surplus fund is made at the discretion of the PRC companies.

The statutory surplus fund and discretionary surplus fund are restricted for use. They may only be applied to offset losses or increase the registered capital of the respective companies. These reserves are not allowed to be transferred to the Company by way of cash dividends, loans or advances, nor can they be distributed except for liquidation.

During the years ended December 31, 2024 and 2025, no profit appropriation to statutory surplus fund for the Group's entities incorporated in the PRC. No appropriation to discretionary surplus fund was made for any of the periods presented by the Group's PRC subsidiary, VIE and VIE's subsidiaries.

(hh) Impact of newly adopted accounting pronouncement

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. This guidance also requires certain disclosures for equity securities subject to contractual sale restrictions. The new guidance is required to be applied prospectively with any adjustments from the adoption of the amendments recognized in earnings and disclosed on the date of adoption. This guidance is effective for the Company for the year ending December 31, 2025 and interim reporting periods during the year ending December 31, 2025. Early adoption is permitted. The Company adopted this guidance for the fiscal year ended December 31, 2025 with no material impact on the Company's consolidated financial statements.

In March 2023, the FASB issued ASU No. 2023-02, *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*, that is intended to improve the accounting and disclosures for investments in tax credit structures. This ASU allows reporting entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for all entities in any interim period. The Company adopted this guidance for the fiscal year ended December 31, 2025 with no material impact on the Company's consolidated financial statements.

(ii) Recently issued accounting pronouncements not yet adopted

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*. This standard was issued in response to the SEC's disclosure update and simplification initiative, which affects a variety of topics within the Accounting Standards Codification. The amendments apply to all reporting entities within the scope of the affected topics unless otherwise indicated. The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The Company is currently evaluating the impact this guidance will have on its financial statement disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which improves income tax disclosures. The amendments require the disclosure of specific categories in the rate reconciliation and additional information for reconciling items that meet a quantitative threshold. The amendments also require disaggregated information about the amount of income taxes paid (net of refunds received), Income (or loss) from continuing operations before income tax expense (or benefit) and Income tax expense (or benefit) from continuing operations. The new guidance is required to be applied either prospectively or retrospectively. This guidance is effective for the Company for the year ending March 31, 2026. Early adoption is permitted. The Company is evaluating the impact of the adoption of this guidance.

In March 2024, the Securities and Exchange Commission issued *The Enhancement and Standardization of Climate - Related Disclosures for Investors,* which requires entities to provide information of certain climate - related information. This update will be effective for the Company's fiscal years beginning in 2027. The Company is currently in the process of evaluating the disclosure impact.

In November 2024, the FASB issued ASU2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. The standard will require additional disclosure of the nature of expenses included in the income statement in response to longstanding requests from investors for more information about an entity's expenses. The new standard requires disclosures about specific types of expenses included in the expense captions presented on the face of the income statement as well as disclosures about selling expenses. ASU2024-03 applies to all public business entities and is effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods within annual reporting periods beginning after December 15, 2027. The requirements will be applied prospectively with the option for retrospective application. Early adoption is permitted. We are evaluating this standard to determine if adoption will have a material impact on our consolidated financial statements.

In May 2025, the FASB issued ASU 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets,* which provides a simplified practical expedient for the measurement of expected credit losses (CECL) for accounts receivable and contract assets. The amendments allow entities to use a simplified approach to measure credit losses for certain accounts receivable and contract assets, reducing the complexity of accounting treatment. The new guidance is applied prospectively. This guidance is effective for entities for the fiscal years and interim periods beginning after December 15, 2025. Early adoption is permitted. The Company is evaluating the impact of the adoption of this guidance.

In June 2025, the FASB issued ASU 2025-06, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*, which optimizes the boundary between capitalization and expensing of internal-use software. The amendments clarify the accounting treatment of implementation costs related to cloud service arrangements and internal-use software, specifying which costs can be capitalized and which should be expensed as incurred. The new guidance is applied prospectively. This guidance is effective for public business entities for the fiscal years beginning after December 15, 2026, and for non-public business entities for the fiscal years beginning after December 15, 2027. Early adoption is permitted. The Company is evaluating the impact of the adoption of this guidance.

In October 2025, the FASB issued ASU 2025-10, *Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities*, which establishes an accounting model for government grants received by business entities for the first time (referring to IAS 20). The amendments set the recognition threshold that grants are recognized when it is probable that the conditions will be met and the grants will be received, and distinguish between asset-related and income-related grants, specifying their respective accounting treatments. The new guidance is applied retrospectively. This guidance is effective for entities for the fiscal years beginning after December 15, 2027. Early adoption is permitted. The Company is evaluating the impact of the adoption of this guidance.

In December 2025, the FASB issued ASU 2025-12, *Codification Improvements*, which includes 33 minor amendments to the FASB Accounting Standards Codification. The amendments involve earnings per share (EPS) (calculation of diluted EPS when there is a loss), leases (disclosure of receivables from sales-type/direct financing leases), transfer of receivables (application of Topic 860 (Transfers and Servicing of Financial Assets) to the transfer of receivables from customer contracts), and treasury stock (accounting methods for the retirement of treasury stock), correcting minor inconsistencies and improving the clarity of the codification. The new guidance is applied retrospectively where applicable. This guidance is effective for entities for the fiscal years beginning after December 15, 2026. Early adoption is permitted. The Company is evaluating the impact of the adoption of this guidance.

3. BUSINESS ACQUISITION

The Company accounted for its acquisition in accordance with ASC 805, "Business Combination" ("ASC 805"). The result of the acquiree's operation has been included in the consolidated financial statements since the acquisition date. The excess of the fair value of the consideration transferred over the fair value of net tangible and intangible assets acquired was recorded as goodwill, which is not deductible for corporate income taxation purposes.

On December 8, 2021, the Company entered into a share purchase agreement with all of the selling shareholders of Zhuge Inc. to acquire 100% equity interests of Zhuge Inc. in exchange for RMB93.5 million consideration in cash and 30,463 ordinary shares of the Company. Zhuge Inc. mainly provided professional data intelligence solutions, and the Group expected to generate synergy with the Cloud-based CC service line after the closing of acquisition. The Group obtained the control of Zhuge Inc. on December 22, 2021 and paid off the cash consideration of RMB93.5 million as of December 31, 2023.

The acquisition was recorded as a business combination. The Group determined the fair values of assets acquired and liabilities assumed for this acquisition with assistance of an independent appraiser. The goodwill resulting from the acquisition is primarily attributable to the assembled workforce and established network of customers around China. The acquired goodwill is not deductible for tax purposes. A summary of identifiable assets acquired and liabilities assumed in connection with the acquisition is as follows:

Purchase consideration:	**RMB**
cash	93,511
Fair value of 30,463 ordinary shares	300
	93,811

Recognized amounts of identifiable assets acquired and liabilities assumed:	**December 31, 2021**
Cash	6,551
Accounts receivable	815
Prepaid expenses and other current assets	635
Property and equipment, net	19
Intangible assets	
Trademark	2,840
Non-compete arrangements	720
Order backlogs	8,560
Customer relationship	-
Technology	6,400
Short-term loan	(5,500)
Accounts payable	(1,220)
Contract liabilities	(4,129)
Accrued expenses and other current liabilities	(12,780)
Deferred income tax liability	(4,630)
Long-term borrowings	(9,144)
Total identifiable assets acquired and liabilities assumed	(10,863)
Goodwill	104,674

The intangible assets consist of trademark, non-compete arrangements, order backlogs, customer relationship and Technology. The fair values of trademark of RMB2,840, non-competition arrangements of RM720, order backlogs of RMB8,560, and Technology of RMB6,400 are amortized over 10 years, 4 years, 4 years and 7 years, respectively on a straight-line basis.

Intangible assets and goodwill arising from the above acquisition was impaired to nil as of December 31, 2022.

The acquisition above did not have a material impact on the Group's consolidated financial statements, and, therefore, pro forma disclosures have not been presented.

4. CASH AND RESTRICTED CASH

A reconciliation of cash and restricted cash in the consolidated balance sheets to the amounts in the consolidated statement of cash flows is as follows:

	December 31,	
	2024	2025
	RMB	RMB
Cash	640,119	324,134
Restricted cash	10,396	28,107
Total cash and restricted cash shown in the consolidated statements of cash flows	**650,515**	**352,241**

The balances of restricted cash were mainly related to bank deposits for performance guarantee, which were restricted for use as of December 31, 2024 and 2025, and will be released from restriction within the next 12 months.

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following:

The movement of the allowance for credit loss including both account receivables due from third parties and a related party is as follows:

	December 31,	
	2024	2025
	RMB	RMB
Accounts receivable - third parties	204,502	231,534
Allowance for doubtful accounts - third parties	(84,128)	(91,883)
Accounts receivable - third parties, net	**120,374**	**139,651**
Accounts receivable – a related party	663	794
Allowance for doubtful accounts – a related party	(274)	(306)
Accounts receivable – a related party	**389**	**488**

Allowance for doubtful accounts - third parties	Year ended December 31,	
	2024	2025
	RMB	RMB
Balance at the beginning of the year	**99,523**	**84,128**
Additions charged to bad debt expense	(15,395)	7,755
Balance at the end of the year	**84,128**	**91,883**

Allowance for doubtful accounts –a related party	Year ended December 31,	
	2024	2025
	RMB	RMB
Balance at the beginning of the year	**124**	**274**
Additions charged to bad debt expense	150	32
Balance at the end of the year	**274**	**306**

The aging analysis table of allowance for credit loss is as follows:

	Year ended December 31,	
	2024	2025
	RMB	RMB
Within 1 year	(36,044)	(43,868)
Thereafter	(48,084)	(48,015)
Allowance for credit loss - third parties	**(84,128)**	**(91,883)**
Within 1 year	(274)	(306)
Allowance for credit loss - a related party	**(274)**	**(306)**

6. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as of December 31, 2024 and 2025 consisted of the following:

	December 31,	
	2024	2025
	RMB	RMB
Advance to suppliers	45,325	35,317
Deposits	11,951	13,094
Staff advances	848	1,004
Deductible input VAT	45,188	49,870
Receivables from third party payment platforms	550	1,241
Others	16,134	11,428
Prepayments and Other Current Assets	**119,996**	**111,954**

7. LONG-TERM INVESTMENTS

	For the year ended December 31,	
	2024	2025
	RMB	RMB
Equity method investments		
Shanghai Keshen Information Technology Co., Ltd.	13,168	12,363
Beijing Lingshang Chunding Technology Co., Ltd.	-	-
Shanghai Gaozhi Lefu Intelligent Technology Co., Ltd.	-	22
Total equity method investments	**13,168**	**12,385**
Other equity investments		
Shanghai Yuhuan Information System Co.Ltd.	18,784	18,784
Beijing Hujingtiaoyue Technology Co., Ltd.	11,000	11,000
Xinyu Hongling Investment Management Center (limited Partnership)	11,100	11,100
Total other equity investments	**40,884**	**40,884**
Total long-term investments	**54,052**	**53,269**

(a) Equity method investments

Investments in Shanghai Keshen

In November 2021, Ronglian Yitong aquired 20% equity interest of Shanghai Keshen Information Technology Co., Ltd. ("Shanghai Keshen"), which is principally engaged in technology development, technology transfer, technical consultation and technical services, at a cash consideration of RMB15 million. Ronglian Yitong has the right to appoint one out of three directors for the year ended December 31, 2021. The investments are accounted for under the equity method as Ronglian Yitong is able to exercise significant influence through its board representation. Ronglian Yitong recognized its share of loss of RMB981, share of gain of RMB3 and share of loss of RMB806 for the year ended December 31, 2023, 2024 and 2025. The Company performed an impairment analysis in 2023, 2024 and 2025, and no impairment loss was recognized related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

Investments in Beijing Lingshang

In January 2023, Ronglian Yitong aquired 20% equity interest of Beijing Lingshang Chunding Technology Co., Ltd. ("Beijing Lingshang"), which is principally engaged in intelligent voice product development, technology transfer, technical consultation and technical services, at a cash consideration of RMB5 million. Ronglian Yitong has the right to appoint one out of three directors for the year ended December 31, 2023. The investments are accounted for under the equity method as Ronglian Yitong is able to exercise significant influence through its board representation. Ronglian Yitong recognized its share of loss RMB489 for the year ended December 31, 2023. The Company performed an impairment analysis in 2023, and recognized RMB4,511 impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

Investments in Shanghai Gaozhi

In April 2025, Ronglian Yitong aquired 15% equity interest of Shanghai Gaozhi Lefu Intelligent Technology Co., Ltd., ("Shanghai Gaozhi"), which is principally engaged in technical services, technology development, technology transfer, technical consultation and technology promotion, at a cash consideration of RMB12 million. In December 2025, Shanghai Gaozhi entered into new financing agreements with new investors. After Shanghai Gaozhi's new financing, Ronglian Yitong's equity interest in Shanghai Gaozhi decreased to 13.5%. Ronglian Yitong has the right to appoint one out of three directors for the year ended December 31, 2025. The investments are accounted for under the equity method as Ronglian Yitong is able to exercise significant influence through its board representation. Ronglian Yitong recognized its share of loss RMB832 for the year ended December 31, 2025. The Company performed an impairment analysis in 2025, and recognized RMB11,145 impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

(b) Other equity investments

Investments in Hujingtiaoyue

In September 2017, Ronglian Yitong entered into a share purchase agreement to acquire 6.56% equity interest of Beijing Hujingtiaoyue Technology Co., Ltd. ("Hujingtiaoyue"), which is principally engaged in provision of artificial intelligence marketing solutions, at a cash consideration of RMB4,000. According to the shares purchase agreement, Ronglian Yitong, together with another shareholder, has the right to appoint one director. The Group accounts for its investment in Hujingtiaoyue as other equity investments since its investment is not in-substance common stock due to the liquidation preference feature, and does not have readily determinable fair value. The Group elected to measure other equity investments without a readily determinable fair value at cost adjusted for changes resulting from impairments, if any, and observable price changes in orderly transactions for the identical or similar securities of the same issuer.

In June 2018, Hujingtiaoyue entered into new financing agreements with new investors. After Hujingtiaoyue's new financing, Ronglian Yitong's equity interest in Hujingtiaoyue decreased to 5.45% and Ronglian Yitong, together with another shareholder, remains the right to appoint one director. The new financing provided an observable price for Ronglian Yitong's investment in Hujingtiaoyue and Ronglian Yitong evaluated the investment's carrying amount based on the observable price and recognized a gain of RMB100 from the change in fair value.

In May 2019, Hujingtiaoyue entered into new financing agreements with new investors. After Hujingtiaoyue's new financing, Ronglian Yitong's equity interest in Hujingtiaoyue further decreased to 4.29% and Ronglian Yitong, together with another shareholder, remains the right to appoint one director. The new financing provided an observable price for Ronglian Yitong's investments in Hujingtiaoyue and Ronglian Yitong evaluated this investment's carrying amount based on the observable price, and recognized a gain of RMB900 from the change in fair value.

In May 2021, Hujingtiaoyue conducted reorganization and setup Beijing Tanma Qifu Technolory Co., Ltd.("Beijing Tanma"), a new VIE. All shareholders of Hujingtiaoyue were transferred to Beijing Tanma, on a pro rate basis. Ronglian Yitong owned 4.29% equity interest in Beijing Tanma.

In October 2021 and December 2021, Beijing Tanma entered into new financing agreements with new investors. After Beijing Tanma's new financing, Ronglian Yitong's equity interest in Beijing Tanma further decreased to 2.45%. Since May 2021, Ronglian Yitong had no right to appoint any director due to reduction of equity interest. The new financing provided an observable price for Ronglian Yitong's investments in Hujingtiaoyue and Ronglian Yitong evaluated the investment's carrying amount based on the observable price, and recognized a gain of RMB8,000 from the change in fair value.

The new financing agreement with new investors provided the observable price for other equity investment and the fair value adjustment was determined primarily based on the market approach as of the transaction date, which takes into consideration a number of factors including recent financing pricing which shall be adjusted as similar securities to reflect difference in the rights and obligations between the equity security that was transacted and the equity security held by the Company, and discount rates from traded companies in the industry and requires the Company to make certain assumptions and estimates regarding industry factors. Specifically, some of the significant unobservable inputs
included discount of lack of marketability. The assumptions are inherently uncertain and subjective. Changes in any unobservable inputs may have a significant impact on the fair values.

In December 2023, 2024 and 2025, the Company recognized nil impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

Investments in Xinyu Hongling

In August 2021, Ronglian Yitong and other third party entities set up a limited partnership, Xinyu Hongling Investment Management Center (limited partnership) ("Xinyu Hongling"), which is mainly engaged in investment management and asset management, with a subscribed capital of RMB150 million. Xinyu Hongling's fund is used to invest in Xicheng Zhiyuan Digital Power Selection (Beijing) Investment Center (Limited Partnership) ("Xicheng Zhiyuan"), with a target subscription amount of RMB751 million. The subscribed capital contribution of Ronglian Yitong is RMB20,000, accounting for 13.33% and 2.66% of the registered capital of Xinyu Hongling and Xicheng Zhiyuan. According to the investment agreement, Ronglian Yitong does not have the right to appoint any directors. The Group accounts for its investment in Xinyu Hongling as other equity investments since its investment is not in-substance common stock due to the liquidation preference feature, and does not have readily determinable fair value. The Group elected to measure other equity investments without a readily determinable fair value at cost adjusted for changes resulting from impairments, if any, and observable price changes in orderly transactions for the identical or similar securities of the same issuer.

In December 2023, 2024 and 2025, the Company performed an impairment analysis, and recognized RMB3,500, nil and nil impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

Investments in Shanghai Yuhuan

The Company performed impairment analysis for Shanghai Yuhuan Information System Co., Ltd. ("ShanghaiYuhuan") in 2023, 2024 and 2025, and recognized nil impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value. To estimate the fair value of investment in Shanghai Yuhuan, the Company used discounted cash flow model ("DCF Model"), which is based on the fair value of the entire invested capital of Shanghai Yuhuan using an income approach. The significant inputs for the valuation model include, but not limited to, future cash flows, discount rate, and the comparable selection set of companies operating in similar businesses.

8. PROPERTY AND EQUIPMENT, NET

Property and equipment as of December 31, 2024 and 2025 consisted of the following:

	December 31,	
	2024	2025
	RMB	RMB
Computer and office equipment	22,836	20,999
Furniture and fixtures	2,661	2,564
Motor vehicles	938	938
Leasehold improvement	5,448	5,702
Buildings	4,702	4,702
Property and Equipment	36,585	34,905
Less: Accumulated depreciation	28,412	28,817
Property and Equipment, net	8,173	6,088

Depreciation expenses were RMB5,383, RMB4,992 and RMB2,688 for the years ended December 31, 2023, 2024 and 2025, respectively.

Depreciation expenses on property and equipment were allocated to the following expense items:

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Cost of revenues	279	106	77
Research and development expenses	2,019	1,787	759
Selling and marketing expenses	1,299	1,712	912
General and administrative expenses	1,786	1,387	940
Total depreciation expenses	**5,383**	**4,992**	2,688

9. Lease

The Group has entered into various non-cancellable operating lease agreements for certain offices. The Group determines if an arrangement is a lease, or contains a lease, at inception and record the leases in the financial statements upon lease commencement, which is the date when the underlying asset is made available for use by the lessor.

The balances for the operating and finance leases where the Group is the lessee are presented as follows within the consolidated balance sheet:

Operating leases:	For the year ended December 31,		
	2024	2025	
	RMB(000)	RMB(000)	US$(000)
Assets:			
Right-of-use assets - operating lease	10,800	14,122	2,019
Liability:			
Current portion of operating lease liabilities	5,843	8,093	1,157
Non-current operating lease liabilities	4,731	3,785	541
Total operating lease liabilities	**10,574**	**11,878**	**1,698**

The components of lease expenses were as follows:

	For the year ended December 31,		
	2024	2025	
Lease Cost	**RMB(000)**	**RMB(000)**	**US$(000)**
Amortization of right-of-use assets	9,769	8,950	1,280
Interest of operating lease liabilities	2,719	1,755	251
Expenses for short-term leases within 12 months and other non-lease component	1,281	1,204	172
Total lease cost	**13,769**	**11,909**	**1,703**

As of December 31, 2024 and 2025, the weighted average remaining lease term was 2.32 and 1.86 years and weighted average discount rate was 5.49% and 6.00% for the Company's operating leases.

For the year ended December 31, 2023, 2024 and 2025, the Company recognized lease expense of RMB19,669 and RMB13,769, RMB11,909, respectively, under ASC 840.

Supplemental cash flow information related to leases where we are the lessee is as follows:

	For the year ended December 31,		
	2024	2025	
	RMB(000)	RMB(000)	US$(000)
Cash payments for operating leases	14,331	15,663	2,240
ROU assets obtained in exchange for operating lease liabilities	11,634	11,040	1,579

As of Dec 31, 2025, the maturities of our operating are as follows:

	Operating Lease	
Year ending December 31.	**RMB(000)**	**US$(000)**
2026	10,251	1,466
2027	3,168	453
2028	1,103	158
Total future lease payments	**14,522**	**2,077**
Less: Imputed interest	2,644	379
Total lease liability balance	**11,878**	**1,698**

As of Dec 31, 2024, the maturities of our operating are as follows:

	Operating Lease	
Year ending December 31.	**RMB(000)**	**US$(000)**
2025	7,849	1,075
2026	4,219	578
2027	1,321	181
Total future lease payments	**13,389**	**1,834**
Less: Imputed interest	2,815	385
Total lease liability balance	**10,574**	**1,449**

10. INTANGIBLE ASSETS, NET

The following table summarizes the Company's intangible assets, as of December 31, 2024 and 2025.

	December 31, 2024				
	Gross carrying amount	Accumulated amortization	Accumulated impairment	Net carrying amount	Weighted average amortization Period
	RMB	RMB	RMB	RMB	Years
Software copyrights	16,816	(12,687)	-	4,129	7.0
Telecommunication business operation licenses	2,882	(2,839)	-	43	4.0
Technology	14,865	(3,447)	(10,474)	944	7.0
Non-compete arrangements	805	(260)	(545)	-	4.0
Customer relationship	15,000	(4,271)	(5,586)	5,143	10.0
Trademark	8,472	(2,016)	(5,106)	1,350	9.0
Order backlogs	8,660	(2,223)	(6,437)	-	4.0
Total	**67,500**	**(27,743)**	**(28,148)**	**11,609**	

	December 31, 2025				
	Gross carrying amount	Accumulated amortization	Accumulated impairment	Net carrying amount	Weighted average amortization Period
	RMB	RMB	RMB	RMB	Years
Software copyrights	16,848	(13,494)	-	3,354	7.0
Telecommunication business operation licenses	2,527	(2,487)	-	40	4.0
Technology	14,865	(3,866)	(10,474)	525	7.0
Non-compete arrangements	805	(260)	(545)	-	4.0
Customer relationship	15,000	(5,094)	(5,586)	4,320	10.0
Trademark	8,472	(2,334)	(5,106)	1,032	9.0
Order backlogs	8,660	(2,223)	(6,437)	-	4.0
Total	**67,177**	**(29,758)**	**(28,148)**	**9,271**	

Amortization expenses for intangible assets were RMB3,392, RMB2,641 and RMB2,370 for the years ended December 31, 2023, 2024 and 2025, respectively.

The estimated amortization expense for the next five years is as follows:

	RMB
2026	2,375
2027	2,017
2028	1,749
2029	1,405
2030	1,220
Then thereafter	505

11. GOODWILL

The change in the carrying amount of goodwill by reporting unit is as follows:

	Acquisition of			
	Guohebing	Zhuge Inc.	Molun SAAS	Total
	RMB	RMB	RMB	RMB
Balance as of December 31, 2023	**54,427**	**-**	**-**	**54,427**
Additions	-	-	-	-
Impairment	-	-	-	-
Balance as of December 31, 2024	**54,427**	**-**	**-**	**54,427**
Additions	-	-	-	-
Impairment	-	-	-	-
Balance as of December 31, 2025	**54,427**	**-**	**-**	**54,427**

In the annual goodwill impairment assessment, the Company concluded that the respective fair value of the reporting units exceeded its carrying amount and no impairment losses was recorded during the years ended December 31, 2023, 2024 and 2025, respectively. The fair value of the reporting unit was determined using the market value approach.

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31,	
	2024	2025
	RMB	RMB
Accrued payroll and social insurance	42,547	61,505
Taxes payable	32,383	35,521
Deposits of BNY MELLON	19,016	-
Deposits	218	379
Staff reimbursements	4,915	3,756
Other payables	1,930	1,514
Accrued expenses and other current liabilities	**101,009**	**102,675**

13. SHARE-BASED COMPENSATION

Restricted ordinary shares

In January 2021, the Company adopted a second share option Plan ("2021 Share Plan"), under which the maximum aggregate number of Class A ordinary shares that may be issued pursuant to all awards under such plan is 15,144,221. The ordinary shares became restricted with a vesting schedule of four years. Under the 2021 Share Plan, 6,430,000, 1,802,351ordinary shares were granted to employees for the years ended December 31, 2024 and 2025, respectively.

In March 2021, the Company offered certain management members of EliteCRM 2,411,177 ordinary shares, which become restricted with a graded vesting as to 1/2 of the restricted ordinary shares vest on the first anniversary of March 22, 2022 and with the remaining 1/2 of the restricted ordinary shares vesting on March 22, 2023. The fair value of the shares of US$23,883 are amortized to consolidated statements of comprehensive loss over the vesting term of two years.

A summary of the Company's restricted ordinary shares held by the Company's employees for the years ended December 31, 2024 and 2025 is presented below:

	Number of shares	Weighted average grant date fair value
Unvested as of January 1, 2024	**2,802,977**	**4.62**
Granted	6,430,000	0.54
Vested	(906,732)	0.89
Forfeited	(87,225)	1.76
Unvested as of December 31, 2024	**8,239,020**	**1.88**
Granted	1,802,351	0.57
Vested	(2,541,677)	0.67
Forfeited	(18,816)	0.57
Unvested as of December 31, 2025	**7,480,878**	**1.98**

Total compensation expenses recognized for restricted ordinary shares for the years ended December 31, 2023, 2024 and 2025 were allocated to the following expense items:

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Research and development expenses	654	(545)	2,013
General and administrative expenses	10,868	1,828	2,529
Selling and marketing expenses	1,851	10,968	7,969
Total restricted ordinary shares compensation expenses	**13,373**	**12,251**	**12,511**

As of December 31, 2025, total unrecognized compensation expense related to restricted ordinary shares were RMB11,126 until 2029. The restricted ordinary shares are expected to be recognized over a weighted average period of approximately 2.63 years.

Shares Options

In January 2017, the Company's shareholders and board of directors approved a share option Plan ("2016 Share Plan''), under which a maximum aggregate number of 21,119,408 ordinary shares may be issued pursuant to all awards to be granted. In September 2018, the Company's shareholders and board of directors approved that the maximum aggregate number of ordinary shares may be issued under 2016 Share Plan shall be modified to 25,838,502 pre-offering Class A Ordinary Shares. In March 2020 and July 2020, the Company's shareholders and board of directors approved that the maximum aggregate number of ordinary shares may be issued under 2016 Share Plan shall be modified to 26,419,211 and 29,525,465 pre-offering Class A Ordinary Shares, respectively.

In addition, the options may be exercised with respect to 25% to 50% of the shares subject to the options as of the first anniversary of the vesting commencement date with the remaining shares subject to the options shall become vested in equal monthly installments over a period of 12-36 months thereafter. Share options were granted with exercise prices ranging from US$0.01 to US$0.38 and will expire 10 years from the grant dates.

Under the 2016 Share Plan, 1,000,000 and nil share options were granted to employees, officers, and board members for the years ended December 31, 2024 and 2025, respectively. A summary of the share options activities for the years ended December 31, 2024 and 2025 is presented below:

	Number of shares	Weighted average exercise price	Weighted remaining contractual years	Aggregate intrinsic value
		US$		US$
Outstanding as of January 1, 2024	**13,141,586**	**0.26**		
Granted	**1,000,000**	**0.38**		
Forfeited	(736,690)	0.15		
Exercised	(1,018,889)	0.19		
Outstanding as of December 31, 2024 and 2025	**12,386,007**	**0.28**		
Vested and expected to vest as of December 31, 2025	**12,386,007**	**0.28**	**2.61**	**24,278**
Exercisable as of December 31, 2025	**11,499,929**	**0.25**	**1.74**	**24,016**

The fair values of the options granted are estimated on the dates of grant using the binomial option pricing model with the following assumptions used:

Grant dates:	Year ended December 31, 2024
Risk free rate of return	2.5%
Volatility	45.0%
Expected dividend yield	0%
Exercise multiple	2.20
Fair value of underlying ordinary share	US$0.30- US$0.52
Expiration terms	10 years

The expected volatility was estimated based on the historical volatility of comparable peer public companies with a time horizon close to the expected term of the Company's options. The risk-free interest rate was estimated based on the yield to maturity of U.S. treasury bonds denominated in US$ for a term consistent with the expected term of the Company's options in effect at the option valuation date. Expected dividend yield is zero as the Company does not anticipate any dividend payments in the foreseeable future. The expected exercise multiple was estimated as the average ratio of the stock price to the exercise price of when employees would decide to voluntarily exercise their vested options. As the Company did not have sufficient information of past employee exercise history, it has considered the statistics on exercise patterns of employees compiled by Huddart and Lang in Huddart, S., and M. Lang. 1996. "Employee Stock Option Exercises: An Empirical Analysis." *Journal of Accounting and Economics*, vol. 21, no. 1 (February), pages 5-43, which are widely adopted by valuers as authoritative guidance on expected exercise multiples. Expected term is the contract life of the option.

Compensation expense recognized for share options during the years ended December 31,2023, 2024 and 2025 is allocated to the following expense items:

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Cost of revenues	3	-	-
Research and development expenses	1,006	55	-
Selling and marketing expenses	6,068	345	1
General and administrative expenses	1,788	1,653	681
Total share option compensation expenses	**8,865**	**2,053**	**682**

As of December 31, 2025, RMB430 of total unrecognized compensation expense related to share options that are expected to be recognized until 2028. The share options are expected to be recognized over a weighted average period of approximately 2.08 years.

14. FAIR VALUE MEASUREMENT

The following tables present the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2023, 2024 and 2025 respectively:

	December 31, 2023			
RMB	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets				
Short-term investments	-	-	422,559	422,559

	December 31, 2024			
RMB	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets				
Short-term investments	-	-	291,280	291,280

	December 31, 2025			
RMB	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets				
Short-term investments	-	-	359,734	359,734

The table below reflects the reconciliation from the opening balances to the closing balances for recurring fair value measurements of the fair value hierarchy for the years ended December 31, 2023, 2024 and 2025:

				Year ended December 31, 2023			
				Gain or Losses			
RMB	January 1, 2023	Purchase/ Issue	Sell / Exercise	Included in earnings	Included in other comprehensive loss	Foreign currency translation adjustment included in other comprehensive loss	December 31, 2023
Assets							
Short term investments	412,031	28,187	24,663	563	-	6,441	422,559

				Year ended December 31, 2024			
				Gain or Losses			
RMB	January 1, 2024	Purchase/ Issue	Sell / Exercise	Included in earnings	Included in other comprehensive loss	Foreign currency translation adjustment included in other comprehensive loss	December 31, 2024
Assets							
Short term investments	422,559	222,036	357,825	11,859	-	(7,349)	291,280

				Year ended December 31, 2025			
				Gain or Losses			
RMB	January 1, 2025	Purchase/ Issue	Sell / Exercise	Included in earnings	Included in other comprehensive loss	Foreign currency translation adjustment included in other comprehensive loss	December 31, 2025
Assets							
Short term investments	291,280	434,551	358,732	10,423	-	(17,788)	359,734

15. INCOME TAX

a) Income tax

The Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

No stamp duty is payable in respect of the issue of the shares or on an instrument of transfer in respect of a share.

Hong Kong S.A.R.

Under the current Hong Kong S.A.R. Inland Revenue Ordinance, the Company's Hong Kong S.A.R. subsidiary is subject to Hong Kong S.A.R. profits tax at the rate of 16.5% on its taxable income generated from the operations in Hong Kong S.A.R. Payments of dividends by the Hong Kong S.A.R. subsidiary to the Company is not subject to withholding tax in Hong Kong S.A.R. A two-tiered profits tax rates regime was introduced in 2018 where the first HK$2 million of assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) whilst the remaining profits will continue to be taxed at 16.5%. There is an anti-fragmentation measure where each group will have to nominate only one company in the group to benefit from the progressive rates. No provision for Hong Kong profits tax has been made in the financial statements as the subsidiary in Hong Kong has no assessable profits for the years ended December 31, 2023, 2024 and 2025.

Japan

The Company's Japan subsidiary, Cloopen Japan Co., Ltd., is subject to Japanese corporation tax (including national corporation tax, local enterprise tax and other income-based taxes) on its worldwide income. The statutory effective tax rate is approximately 30% to 34%, depending on the size of the company.

Dividends paid by a Japanese company are generally subject to Japanese withholding tax. If the Japanese company paying dividends is a non-listed company and the payee is a non-resident of Japan, the rate of such withholding tax is 20.42% under Japanese Tax law. The Company enjoys preferential withholding tax rate of 10% under Japan-China tax treaty.

The PRC

The Group's PRC subsidiaries, the VIE, and the VIE's subsidiaries are subject to the PRC Corporate Income Tax Law ("CIT Law") and are taxed at the statutory income tax rate of 25%, unless otherwise specified.

In March 2007, a new enterprise income tax law (the "New EIT Law") in the PRC was enacted which became effective on January 1, 2008. The New EIT Law applies a unified 25% enterprise income tax ("EIT") rate to both foreign invested enterprises and domestic enterprises, unless a preferential EIT rate is otherwise stipulated. On April 14, 2008, relevant governmental regulatory authorities released further qualification criteria, application procedures and assessment processes for meeting the High and New Technology Enterprise ("HNTE") status under the New EIT Law which would entitle qualified and approved entities to a favorable EIT tax rate of 15%. In April 2009 and June 2017, the State Administration for Taxation ("SAT") issued Circular Guoshuihan (2009) No. 203 ("Circular 203") and SAT Announcement (2017) No. 24 ("Announcement 24") stipulating that the entities which qualified for the HNTE status should apply with in-charge tax authorities to enjoy the reduced EIT rate of 15% provided under the New EIT Law starting from the year when the new HNTE certificate becomes effective. The HNTE certificate is effective for a period of three years and can be renewed for another three years. Subsequently, an entity needs to re-apply for the HNTE status in order to be able to enjoy the preferential tax rate of 15%.

Ronglian 7Moor obtained the HNTE certificate in December 2016, and subsequently renewed the HNTE certificate in October 2019, November 2022 and October 2025. Thus, Ronglian 7Moor is entitled to a preferential tax rate of 15% from 2016 to 2027.

Beijing Yunrong Tianxia Technology Co., Ltd., a subsidiary of the Company, obtained the HNTE certificates in December 2017 and subsequently renewed the HNTE Certificate in October 2020 and October 2023. Thus, it was entitled to the preferential tax rate of 15% from 2017 to 2025.

Ronglian Yitong, a subsidiary of the Company, obtained the HNTE certificate in September 2015 and subsequently renewed the HNTE certificate in September 2018, December 2021 and December 2024. Thus, it was entitled to the preferential tax rate of 15% from 2015 to 2026.

Beijing Ronglian Huitong Technology Co., Ltd. ("Beijing Ronglian Huitong") and Shenzhen Zhongtian Wangjing Technology Co., Ltd. ("Shenzhen Zhongtian Wangjing"), subsidiaries of the Company, obtained the HNTE certificates in December 2019. Thus, they are entitled to the preferential tax rate of 15% from 2019 to 2021. Beijing Ronglian Huitong renewed its HNTE status in December 2021 and August 2023, and is entitled to a preferential tax rate of 15% from 2022 to 2024. In December 2022, Shenzhen Zhongtian Wangjing renewed its HNTE status which entitled it to the preferential income tax rate of 15% from 2022 to 2024. Due to business scope change, they have no plan to renew the HNTE certificates and could not entitle to the preferential tax rate of 15% after the HNTE certificate became void from January 1, 2025.

Shanghai Guohebing Information Technology Co., Ltd., a subsidiary of the Company, obtained the HNTE certificate in December 2024. Thus, it was entitled to the preferential tax rate of 15% from 2024 to 2026.

Zhuge Yunyou, a subsidiary of the Company, obtained the HNTE certificate in October 2021 and subsequently renewed the HNTE certificate in December 2024. Thus, it was entitled to the preferential tax rate of 15% from 2021 to 2026.

If any entities fail to maintain the HNTE qualification under the New EIT Law, they will no longer qualify for the preferential tax rate of 15%.

The CIT Law also provides that an enterprise established under the laws of a foreign country or region but whose "de facto management body" is located in the PRC be treated as a resident enterprise for the PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the CIT Law define the location of the "de facto management body" as "the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, property, etc., of a non-PRC company is located." Based on a review of surrounding facts and circumstances, the Group does not believe that it is likely that its operations outside the PRC should be considered a resident enterprise for PRC tax purposes.

The components of loss before income taxes are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
The Cayman Islands*	(69,414)	(13,599)	(23,846)
Hong Kong S.A.R*	3,397	35,238	6,429
Japan*	(19,507)	(10,690)	(8,206)
The PRC, excluding Hong Kong S.A.R.	(327,414)	(158,092)	(213,998)
Total	**(412,938)**	**(147,143)**	**(239,621)**

* Non-PRC entities not subject to income tax

Withholding tax on undistributed dividends

The CIT law also imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise ("FIE") to its immediate holding company outside of Mainland China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within Mainland China or if the received dividends have no connection with the establishment or place of such immediate holding company within Mainland China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. The Cayman Islands, where the Company is incorporated, does not have such tax treaty with the PRC. According to the arrangement between Mainland China and Hong Kong S.A.R. on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in Mainland China to its immediate holding company in Hong Kong S.A.R. will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). The Group did not record any dividend withholding tax, as the Group's PRC entities, have no retained earnings in any of the years presented.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on interest income from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group applies a preferential withholding tax rate of 7% due to a tax treaty between Mainland China and the jurisdiction of the foreign investors.

Income tax expense recognized in the consolidated statements of comprehensive loss consists of the following:

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Current income tax expense	(135)	74	(430)
Deferred income tax benefit (expense)	(429)	(390)	(390)
Total income tax expense	**(564)**	**(316)**	**(820)**

Reconciliation of the differences between the income tax benefit computed based on the PRC statutory income tax rate and the Group's income tax expense for the years ended December 31, 2023, 2024 and 2025 are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Computed expected income tax benefit	**(103,234)**	**(36,786)**	**(59,905)**
Non-deductible expenses / taxable deemed income			
Share-based compensation	5,560	3,576	3,298
Non-deductible entertainment	1,264	802	326
Taxable deemed interest income from inter-company interest-free loans	1,828	1,633	983
Employee commercial Insurance	208	271	203
Selling Commission	1,057	1,016	233
Others	167	97	9
Non-PRC entities not subject to income tax	16,571	1,044	555
Effect of income tax rate differences in jurisdictions other than the PRC	(282)	(345)	(546)
Over provision in respect of prior years	36	(65)	(596)
NOL expired	34,921	18,292	10,911
Amortization of intangible assets formed by business combinations	(429)	(390)	(390)
Others	(2,759)	(1,725)	(2,212)
Changes in valuation allowance	44,528	12,264	46,311
Actual income tax expense	**(564)**	**(316)**	**(820)**

b) Deferred income tax assets

	December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Net operating loss carry forwards	388,065	398,464	445,204
Un-invoiced expenditures	9,867	9,867	9,867
Accounts receivable and contract assets allowance	26,561	25,711	26,132
Other equity investments impairment	10,278	10,278	9,969
Goodwill impairment	55,534	55,534	55,534
Share of losses of equity method investments	980	979	1,388
Others	3,199	5,915	4,965
Less: Valuation allowance	(487,834)	(500,098)	(546,409)
Total deferred income tax assets, net	**6,650**	**6,650**	**6,650**
Intangible assets	(857)	(466)	(76)
Change in fair value of other equity investments	(6,650)	(6,650)	(6,650)
Total gross deferred income tax liabilities	**(7,507)**	**(7,116)**	**(6,726)**
Net deferred income tax assets	**(857)**	**(466)**	**(76)**

As of December 31, 2025, the Group had net operating loss carry forwards of approximately RMB2,097 million attributable to the PRC and Hong Kong S.A.R. subsidiaries, the VIE, and the VIE's subsidiaries. The loss carried forward by the PRC companies will expire during the period from year 2026 to year 2035. As of December 31, 2025, the Group had tax loss carry forwards for PRC and Hong Kong S.A.R. income tax purpose of RMB 2,096,898 which will expire if unused by the following year-end:

Year ending December 31,	**RMB**
2026	339,156
2027	328,457
2028	176,069
2029	225,616
2030	420,323
Then thereafter	607,277
Total	**2,096,898**

A valuation allowance is provided against deferred income tax assets when the Group determines that it is more likely than not that the deferred income tax assets will not be utilized in the foreseeable future. In making such determination, the Group evaluates a variety of factors including the Group's operating history, accumulated deficit, existence of taxable temporary differences and reversal periods.

As of December 31, 2025, the valuation allowance of RMB 546,409 was related to the deferred income tax assets of the PRC and Hong Kong S.A.R. entities which were in loss position. As of December 31, 2025, management believes it is more likely than not that the Group will realize the deferred income tax assets, net of the valuation allowance.

Changes in valuation allowance are as follows:

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB	**RMB**	**RMB**
Balance at the beginning of the year	(443,306)	(487,834)	(500,098)
Additions	(44,528)	(12,264)	(46,311)
Balance at the end of the year	**(487,834)**	**(500,098)**	**(546,409)**

According to the PRC Tax Administration and Collection Law, the statute of limitation is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitation is extended to five years under special circumstances where the underpayment of taxes is more than RMB100. In the case of transfer pricing issues, the statute of limitation is 10 years. There is no statute of limitation in the case of tax evasion. The income tax returns of the Company's PRC subsidiary, the VIE and the VIE's subsidiaries for the years from 2020 to 2025 are open to examination by the PRC tax authorities.

16. NET LOSS PER SHARE

The following table sets forth the basic and diluted net loss per ordinary share computation and provides a reconciliation of the numerator and denominator for the years presented:

	Year ended December 31,	
	2024	2025
	RMB	RMB
Numerator:		
Net loss	(142,757)	(239,350)
Numerator for basic and diluted net loss per ordinary share calculation	**(142,757)**	**(239,350)**
Denominator:		
Weighted average number of Class A and Class B ordinary shares	322,945,205	323,149,126
Denominator for basic and diluted net loss per ordinary share calculation	**322,945,205**	**323,149,126**
Net loss per ordinary share attributable to pre-offering Class A and pre-offering Class B ordinary shareholders		
—Basic and diluted	(0.44)	(0.74)

Securities that could potentially dilute basic net loss per ordinary share in the future that were not included in the computation of diluted net loss per ordinary share because to do so would have been antidilutive for the years ended December 31, 2024 and 2025 are as follow:

	Year ended December 31,	
	2024	2025
Share options	12,386,007	12,386,007
Restricted ordinary shares	8,239,020	7,480,878

17. REVENUE INFORMATION

Revenues

The Group's revenues are disaggregated by major products/services lines, timing of revenue recognition and primary geographical markets (based on the location of customers) as follow:

Major products/services lines	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
CPaaS			
- Text messaging	136,654	132,242	80,927
- Voice calls	25,958	35,708	42,739
- Others (Note 1)	32,799	21,457	25,001
Cloud-based CC	256,961	268,081	219,168
Cloud-based UC&C	117,554	116,078	162,821
Other services	1,098.00	-	5,053
Revenues	**571,024**	**573,566**	**535,709**

Note 1: Others mainly include CPaaS revenue from the customers' use of the Group's Internet of Things (IoT) and jointly-operated CPaaS platforms.

Timing of revenue recognition	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Point in time	331,220	301,480	226,720
Over time	239,804	272,086	308,989
Revenues	**571,024**	**573,566**	**535,709**

Primary geographical markets (based on the location of customers)	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
The PRC	539,867	543,774	512,204
Japan	31,157	29,792	23,505
Revenues	**571,024**	**573,566**	**535,709**

Revenue based on a gross basis/ net basis	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
On a gross basis	555,409	558,926	524,935
On a net basis	15,615	14,640	10,774
Revenues	**571,024**	**573,566**	**535,709**

Contract Assets and Contract Liabilities

The Group's contract assets and contract liabilities as of December 31, 2023, 2024 and 2025 are as follows:

	December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Contract assets	26,107	27,752	57,290
Contract liabilities	363,228	306,112	299,483

The contract assets primarily relate to the Group's rights to consideration for work performed but not invoiced at the reporting date on Cloud-based UC&C projects and Cloud-based CC projects. The contract assets are transferred to receivables when the rights to consideration become unconditional.

The contract liabilities primarily related to the advanced consideration received from customers in relation to the subsequent provision of Cloud-based CC services and CPaaS solutions. The contract liabilities will be recognized as revenue when the Group fulfills its performance obligations to transfer the promised products or services to customers, which is expected to occur within one year.

Changes in the contract assets balances for the years ended December 31, 2023, 2024 and 2025 are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Gross amount at the beginning of the year	63,144	36,469	49,484
Increases due to revenue recognized during the year	27,787	44,616	45,577
Transfers to accounts receivable during the year	(54,462)	(31,601)	(21,024)
Gross amount at the end of the year	**36,469**	**49,484**	**74,037**
Allowance for credit loss of contract assets	(10,362)	(21,732)	(16,747)
Contract assets, net	**26,107**	**27,752**	**57,290**

The movement of the allowance for contract assets is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Balance at the beginning of the year	12,306	10,362	21,732
Additions charged to credit loss	(1,944)	11,370	(4,985)
Balance at the end of the year	**10,362**	**21,732**	**16,747**

Changes in the contract liabilities balances for the years ended December 31, 2023, 2024 and 2025 are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Balance at the beginning of the year	359,801	363,228	306,112
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	(92,339)	(80,856)	(72,158)
Other operating income recognised that was included in the contract liabilities balance at the beginning of the period		(49,530)	-
Increase due to cash received, excluding amount recognized as revenue during the year	95,766	73,270	65,529
Balance at the end of the year	**363,228**	**306,112**	**299,483**

The amounts of revenue recognized for the years ended December 31, 2023, 2024 and 2025 that were included in the contract liabilities balances at the beginning of the year are RMB92,339 and RMB80,856, RMB72,158, respectively.

The Company has elected the practical expedient in ASC 606-10-50-14(a) to not disclose the information about remaining performance obligations which are part of contracts that have an original expected duration of one year or less.

18. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

From time to time, the Group is involved in claims and legal proceedings that arise in the ordinary course of business. The Group records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Based on currently available information, the Group has recorded accrued liabilities for class action of US$12,000 (equivalent to RMB83,575) in this regard as of December 31, 2022, and paid off the settlement amount as of December 31, 2023. On January 23, 2024, the Supreme Court of the State of New York issued an order granting final approval of the settlement and dismissing the claims the in the Sonny St. John action.

Purchase Commitment

The Group's purchase commitments primarily relate to purchase of software and equipment. Total purchase commitments contracted but not yet reflected in the consolidated financial statements as of December 31, 2025 were as follows:

Year ended December 31,	RMB
2026	31,871
2027 and thereafter	288

19. RELATED PARTY TRANSACTIONS

(i) Related Parties

Name of Related Parties	Relationship with the Company
Shanghai Keshen Information Technology Co., Ltd.	One of the Company's investment affiliates and the Company owns 20% equity interest and has significant influence since December 2021
Shenzhen City Yunjitong Technology Co., Ltd	One of the Company's investment affiliates and the Company owns 18.52% equity interest and has significant influence, which was disposed of in November 2025.
Shenyang Yunrongxin Technology Co., Ltd	One of the Company's investment affiliates and the Company owns 20% equity interest and has significant influence
Shanghai Gaozhi Lefu Intelligent Technology Co., Ltd.	One of the Company's investment affiliates and the Company owns 13.5% equity interest and has significant influence

(ii) The Company had the following related party transactions for the years ended December 31, 2023, 2024 and 2025:

	Note	Year ended December 31,		
		2023	2024	2025
		RMB	RMB	RMB
Cloud-based UC&C services provided to a related party:				
-Shanghai Keshen Information Technology Co., Ltd.	(a)	6	-	-
CPaaS services provided to related parties:				
-Shenyang Yunrongxin Technology Co., Ltd	(b)	913	162	334
-Shenzhen City Yunjitong Technology Co., Ltd	(b)	-	1	-
-Shanghai Gaozhi Lefu Intelligent Technology Co., Ltd.	(b)	-	-	3
Project development services purchased from related parties:				
-Shenyang Yunrongxin Technology Co., Ltd	(c)	321	-	-
-Shanghai Keshen Information Technology Co., Ltd.	(c)	3,302	1,981	2,161
Business process outsourcing (BPO) services purchased from a related party:				
-Shanghai Gaozhi Lefu Intelligent Technology Co., Ltd.	(c)	-	-	171

(a) Cloud-based UC&C services provided to a related party

The Company provided Cloud-based UC&C services to subsidiaries of Shanghai Keshen Information Technology Co., Ltd ("Shanghai Keshen"). Revenues of RMB6, nil and nil, were recorded in the consolidated statements of comprehensive loss for the year ended December 31, 2023, 2024 and 2025. Amounts due to Shanghai Keshen were RMB62 and RMB62, which were deposits as of December 31, 2024 and 2025, respectively.

(b) CPaaS services provided to related parties

The Company provided CPaaS services to Shenyang Yunrongxin Technology Co., Ltd ("Shenyang Yunrongxin"). Revenues of RMB913, RMB162 and RMB334 were recorded in the consolidated statements of comprehensive loss for the years ended December 31, 2023, 2024 and 2025, respectively. Amounts due from Shenyang Yunrongxin were RMB389 and RMB488 as of December 31, 2024 and 2025, which are included in accounts receivable - a related party, net on the consolidated balance sheets, respectively.

The Company provided CPaaS services to Shenzhen City Yunjitong Technology Co., Ltd ("Shenzhen City Yunjitong"). Revenues of nil, RMB1 and nil were recorded in the consolidated statements of comprehensive loss for the years ended December 31, 2023, 2024 and 2025, respectively. Amounts due to Shenzhen City Yunjitong were RMB1 and nil as of December 31, 2024 and 2025, which are included in accounts amounts due to related parties on the consolidated balance sheets.

The Company provided CPaaS services to Shanghai Gaozhi Lefu Intelligent Technology Co., Ltd ("Shanghai Gaozhi Lefu"). Revenues of nil, nil and RMB3 were recorded in the consolidated statements of comprehensive loss for the years ended December 31, 2023, 2024 and 2025, respectively.

(c) Outsourcing services purchased from related parties

The Company purchased from Shenyang Yunrongxin project development services, which is included in cost of revenues of RMB321, nil and nil, for the years ended December 31, 2023, 2024 and 2025, respectively. Amounts due to Shenyang Yunrongxin were RMB91 and RMB228 as of December 31, 2024 and 2025, which are included in accounts amounts due to related parties on the consolidated balance sheets.

The Company purchased project development services from Shanghai Keshen, which is included in cost of revenues of RMB3,302, RMB1,981 and RMB2,161, for the years ended December 31, 2023, 2024 and 2025, respectively. Amounts due from Shanghai Keshen were RMB2,590 and RMB3,345, which were prepayment of project development services fee as of December 31, 2024 and 2025, respectively.

The Company purchased business process outsourcing (BPO) services from Shanghai Gaozhi Lefu, which is included in cost of revenues of nil, nil and RMB171, for the years ended December 31, 2023, 2024 and 2025, respectively. Amounts due from Shanghai Gaozhi Lefu were nil and RMB101, which were prepayment of BPO services fee as of December 31, 2024 and 2025, respectively.

(iii) The Company had the following related party balances as of December 31, 2024 and 2025:

	Notes	2024	2025
		RMB	RMB
Accounts receivable – a related party, net:			
-Shenyang Yunrongxin Technology Co., Ltd	(b)	389	488
Amounts due from a related party:			
-Shanghai Keshen Information Technology Co., Ltd.	(c)	2,590	3,345
Total amounts due from a related party		2,590	3,345
Amounts due to related parties:			
-Shenyang Yunrongxin Technology Co., Ltd	(c)	91	228
-Shenzhen City Yunjitong Technology Co., Ltd	(b)	1	-
-Shanghai Keshen Information Technology Co., Ltd.	(a)	62	62
-Shanghai Gaozhi Lefu Intelligent Technology Co., Ltd.	(c)	-	101
Total amounts due to related parties		154	391

20. PARENT ONLY FINANCIAL INFORMATION

The following condensed parent company financial information of Cloopen Group Holding Limited has been prepared using the same accounting policies as set out in the accompanying consolidated financial statements. As of December 31, 2025, there were no material contingencies, significant provisions of long-term obligations, mandatory dividend or redemption requirements of redeemable stocks or guarantees of Cloopen Group Holding Limited, except for those, which have been separately disclosed in the consolidated financial statements.

(a) Condensed Balance Sheets

	December 31,	
	2024	2025
	RMB	RMB
Assets		
Current assets		
Cash	79,741	2,202
Term deposits	143,768	-
Short-term investments	39,536	179,234
Other current assets	81	5,061
Total current assets	**263,126**	**186,497**
Non-current asset:		
Investments in and amounts due from subsidiaries and consolidated VIE and VIE's subsidiaries	993,075	765,636
Total non-current asset	**993,075**	**765,636**
Total assets	**1,256,201**	**952,133**
Liabilities		
Current liabilities		
Accrued expenses and other current liabilities	181,624	110,750
Total current liabilities	**181,624**	**110,750**
Total liabilities	**181,624**	**110,750**
Shareholders' equity:		
Class A Ordinary Shares	195	195
Class B Ordinary Shares	17	17
Additional paid-in capital	11,225,945	11,239,347
Treasury stock	(120,899)	(120,899)
Accumulated other comprehensive loss	(56,362)	(63,608)
Accumulated deficit	(9,974,319)	(10,213,669)
Total shareholders' equity	**1,074,577**	**841,383**
Total liabilities and shareholders' equity	**1,256,201**	**952,133**

(b) Condensed Statements of Comprehensive Loss

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Total operating expenses	(89,953)	(32,074)	(26,860)
Share of losses from subsidiaries and consolidated VIE and VIE's subsidiaries	(319,769)	(110,683)	(212,490)
Loss before income taxes	**(409,722)**	**(142,757)**	**(239,350)**
Net loss	**(409,722)**	**(142,757)**	**(239,350)**
Net loss attributable to ordinary shareholders	**(409,722)**	**(142,757)**	**(239,350)**

(c) Condensed Statements of Cash Flows

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Net cash provided by (used in) operating activities	(133,979)	115,285	(32,515)
Net cash used in investing activities	(569,407)	(486)	(185,787)
Net cash provided by financing activities	-	-	-
Effect of foreign currency exchange rate changes on cash	31,168	2,713	(3,005)
Net increase/(decrease) in cash	**(672,218)**	**117,512**	**(221,307)**
Cash at the beginning of the year	778,215	105,997	223,509
Cash at the end of the year	**105,997**	**223,509**	**2,202**

A. DIFFERENCES BETWEEN ACCOUNTING POLICIES ADOPTED BY THE GROUP AND CLOOPEN

As described in the section headed "Letter from the Board – Waivers from Strict Compliance with the Requirements under the Listing Rules" of this circular, the Company has applied to The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for, and been granted, a waiver from the requirement to include in this circular an accountants' report on the Target Group in accordance with Rule 14.67(6)(a)(i) and Chapter 4 of the Rules Governing the Listing of Securities on the Stock Exchange.

Instead, the Appendix II contains a copy of the consolidated financial statements of the Cloopen Group for the three years ended December 31, 2023, 2024 and 2025, which were prepared in accordance with U.S. GAAP and audited by ARK Pro CPA & Co. The annual reports and consolidated financial statements of the Cloopen Group for the three years ended December 31, 2023, 2024 and 2025 are available at the website of the U.S. Securities and Exchange Commission (http://www.sec.gov).

The financial information included in the Appendix II are referred hereinafter as "Cloopen Historical Financial Information". The Cloopen Historical Financial Information covers the consolidated balance sheet of the Cloopen Group as at December 31, 2023, 2024 and 2025 and the consolidated statements of comprehensive loss of the Cloopen Group for each of the three years ended December 31, 2023, 2024 and 2025 (the "**Relevant Periods**").

The accounting policies adopted by Cloopen in the preparation of the Cloopen Historical Financial Information for the Relevant Periods are in accordance with U.S. GAAP (the "**Cloopen's Accounting Policies**"), while accounting policies adopted by the Group for each of the Relevant Periods are in accordance with IFRS Accounting Standards (the "**Group's Accounting Policies**"). A line-by-line reconciliation (the "**Reconciliation**") of the consolidated balance sheets of the Cloopen Group as at December 31, 2023, 2024 and 2025, and the consolidated statements of comprehensive loss of the Cloopen Group for each of the Relevant Periods to address the differences, in all material respects, on the Cloopen Historical Financial Information had it been prepared in accordance with the Group's Accounting Policies, as set out below in the section headed "D. Line-by-line Reconciliation".

B. BASIS OF PREPARATION

The Reconciliation for each of the Relevant Periods was prepared by the Directors of the Company by restating the "Unadjusted Financial Information of Cloopen" which are extracted from the Cloopen Historical Financial Information, and quantified adjustments to financial information as if it had been prepared in accordance with the Group's Accounting Policies which are in the compliance with IFRS Accounting Standards.

C. RECONCILIATION PROCESS

The Reconciliation has been prepared by the Directors by comparing the differences between the accounting policies adopted by Cloopen for the preparation of Unadjusted Financial Information of Cloopen for the Relevant Periods, and the accounting policies presently adopted by the Group which are in compliance with IFRS Accounting Standards, and quantifying the relevant material financial effects of such differences, if any.

Your attention is drawn to the fact that the Reconciliation has not been subject to an independent audit. Accordingly, no opinion is expressed by an auditor on whether it presents a true and fair view of the Cloopen's financial positions as at December 31, 2023, 2024 and 2025, nor its financial performance for each of the Relevant Periods then ended under the accounting policies presently adopted by the Group which are in compliance with IFRS Accounting Standards.

GTG was engaged by the Company to conduct work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("**HKSAE 3000 (Revised)**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") on the Reconciliation. The work consisted primarily of:

(i) comparing the "Unadjusted Financial Information of Cloopen" as set out in Reconciliation with the Cloopen Historical Financial Information that has been included in the Appendix II of this circular, as appropriate;

(ii) assessing the accounting treatments and classifications according to the Cloopen's Accounting Policies and the Group's Accounting Policies and evaluating the different accounting treatments and classifications identified by the Directors;

(iii) considering the adjustments and reclassifications made and evidence supporting them made in the Reconciliation in arriving at the "Adjusted Financial Information of Cloopen under the Group's Accounting Policies"; and

(iv) checking the arithmetic accuracy of the computation of the Reconciliation.

GTG's engagement did not involve independent examination of any of the Cloopen Historical Financial Information. The work carried out in accordance with HKSAE 3000 (Revised) is different in scope from an audit or review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, GTG did not express an audit opinion nor a review conclusion on the Reconciliation.

GTG's engagement was intended solely for the use of the Company in connection with this circular and may not be suitable for another purpose. Based on the work performed, nothing has come to GTG attention that causes them to believe:

(i) the "Unadjusted Financial Information of Cloopen" for each of the Relevant Periods as set out in the Reconciliation are not in agreement with the Cloopen Historical Financial Information prepared in accordance with the Cloopen's Accounting Policies, as appropriate;

(ii) the adjustments and reclassifications made in the Reconciliation do not reflect, in all material respects, the differences in accounting treatments and classifications between the Cloopen's Accounting Policies and the Group's Accounting Policies; and

(iii) the computation of the Reconciliation is not arithmetically accurate.

D. LINE-BY-LINE RECONCILIATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS

	For the Year Ended December 31, 2023				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
Revenue	571,024	(382)			570,642
Cost of revenue	(366,375)	(4)			(366,379)
Gross profit	**204,649**	**(386)**	**–**	**–**	**204,263**
Other net income/(loss)		(919)		(3,948)	(4,867)
Research and development expenses	(222,538)	(4,088)			(226,626)
Selling and marketing expenses	(227,543)	(2,940)			(230,483)
General and administrative expenses	(191,113)	(10,616)	16,456		(185,273)
Impairment losses of trade receivables, contract assets and other receivables reversed/(recognized)			(16,456)		(16,456)
Loss from operations	**(436,545)**	**(18,949)**	**–**	**(3,948)**	**(459,442)**
Interest income	26,826			(26,826)	–
Interest expense		(1,235)		1,235	–
Net finance income				31,290	31,290
Investment income	563			(563)	–
Share of profits/(losses) of associates	(1,470)				(1,470)
Impairment loss of long-term investments	(8,011)	3,500		4,511	–
Foreign currency exchange gains (losses), net	5,699			(5,699)	–
Loss before taxation	**(412,938)**	**(16,684)**	**–**	**–**	**(429,622)**
Income tax benefit	564				564
Loss for the year	**(412,374)**	**(16,684)**	**–**	**–**	**(429,058)**

	For the Year Ended December 31, 2023				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
Attribute to:					
Equity shareholders of the Cloopen	(409,722)	(16,684)			(426,406)
Non-controlling interests	(2,652)				(2,652)
Loss for the year	**(412,374)**	**(16,684)**	**–**	**–**	**(429,058)**
Loss for the year	**(412,374)**	**(16,684)**	**–**	**–**	**(429,058)**
Other comprehensive income/(loss) for the year (after tax and reclassification adjustments):					
Exchange difference on translation of financial statements of the Cloopen	21,286				21,286
Fair value gain/(loss) on investments in equity instruments at fair value through other comprehensive income		(5,315)			(5,315)
Other comprehensive income/(loss) for the year	**21,286**	**(5,315)**	**–**	**–**	**15,971**
Total comprehensive loss for the year	**(391,088)**	**(21,999)**	**–**	**–**	**(413,087)**
Attribute to:					
Equity shareholders of the Cloopen	(388,436)	(21,999)			(410,435)
Non-controlling interests	(2,652)				(2,652)
Total comprehensive loss for the year	**(391,088)**	**(21,999)**	**–**	**–**	**(413,087)**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS

	For the Year Ended December 31, 2024				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
Revenue	573,566	(398)			573,168
Cost of revenue	(362,717)				(362,717)
Gross profit	**210,849**	**(398)**	**–**	**–**	**210,451**
Other net income/(loss)	49,530	83		12,262	61,875
Research and development expenses	(177,000)	(4,358)			(181,358)
Selling and marketing expenses	(187,305)	(2,527)			(189,832)
General and administrative expenses	(93,916)	(5,290)	(3,875)		(103,081)
Impairment losses of trade receivables, contract assets and other receivables reversed/(recognized)			3,875		3,875
Loss from operations	**(197,842)**	**(12,490)**	**–**	**12,262**	**(198,070)**
Interest income	42,151			(42,151)	–
Interest expense		(529)		529	–
Net finance income				37,905	37,905
Investment income	11,859			(11,859)	–
Share of profits/(losses) of associates	3				3
Gains (losses) from disposal of subsidiaries, net	403			(403)	–
Foreign currency exchange gains (losses), net	(3,717)			3,717	–
Loss before taxation	**(147,143)**	**(13,019)**	**–**	**–**	**(160,162)**
Income tax benefit	316				316
Loss for the year	**(146,827)**	**(13,019)**	**–**	**–**	**(159,846)**

	For the Year Ended December 31, 2024				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
Attribute to:					
Equity shareholders of the Cloopen	(142,757)	(13,019)			(155,776)
Non-controlling interests	(4,070)				(4,070)
Loss for the year	**(146,827)**	**(13,019)**	**–**	**–**	**(159,846)**
Loss for the year	**(146,827)**	**(13,019)**	**–**	**–**	**(159,846)**
Other comprehensive income/(loss) for the year (after tax and reclassification adjustments):					
Exchange difference on translation of financial statements of the Cloopen	965				965
Fair value gain/(loss) on investments in equity instruments at fair value through other comprehensive income		9,142			9,142
Other comprehensive income (loss) for the year	**965**	**9,142**	**–**	**–**	**10,107**
Total comprehensive loss for the year	**(145,862)**	**(3,877)**	**–**	**–**	**(149,739)**
Attribute to:					
Equity shareholders of the Cloopen	(141,792)	(3,877)			(145,669)
Non-controlling interests	(4,070)				(4,070)
Total comprehensive loss for the year	**(145,862)**	**(3,877)**	**–**	**–**	**(149,739)**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS

	For the Year Ended December 31, 2025				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
Revenue	535,709	(252)			535,457
Cost of revenue	(388,963)				(388,963)
Gross profit	**146,746**	**(252)**	**–**	**–**	**146,494**
Other net income/(loss)		(261)		(2,465)	(2,726)
Research and development expenses	(139,081)	(569)			(139,650)
Selling and marketing expenses	(142,265)	2,149			(140,116)
General and administrative expenses	(111,061)	509	2,802		(107,750)
Impairment losses of trade receivables, contract assets and other receivables reversed/(recognized)			(2,802)		(2,802)
Loss from operations	**(245,661)**	**1,576**	**–**	**(2,465)**	**(246,550)**
Interest income	10,656			(10,656)	–
Interest expense		(815)		815	–
Net finance income				9,328	9,328
Investment income	10,423			(10,423)	–
Share of profits/(losses) of associates	(1,638)				(1,638)
Impairment loss of long-term investments	(11,145)			11,145	–
Gains (losses) from disposal of subsidiaries, net	(1,743)			1,743	–
Foreign currency exchange gains (losses), net	(513)			513	–
Loss before taxation	**(239,621)**	**761**	**–**	**–**	**(238,860)**
Income tax benefit	820				820
Loss for the year	**(238,801)**	**761**	**–**	**–**	**(238,040)**

	For the Year Ended December 31, 2025				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
Attribute to:					
Equity shareholders of the Cloopen	(239,350)	761			(238,589)
Non-controlling interests	549				549
Loss for the year	**(238,801)**	**761**	**–**	**–**	**(238,040)**
Loss for the year	**(238,801)**	**761**	**–**	**–**	**(238,040)**
Other comprehensive income/(loss) for the year (after tax and reclassification adjustments):					
Exchange difference on translation of financial statements of the Cloopen	(7,246)				(7,246)
Fair value gain/(loss) on investments in equity instruments at fair value through other comprehensive income		14,527			14,527
Other comprehensive income (loss) for the year	**(7,246)**	**14,527**	**–**	**–**	**7,281**
Total comprehensive loss for the year	**(246,047)**	**15,288**	**–**	**–**	**(230,759)**
Attribute to:					
Equity shareholders of the Cloopen	(246,596)	15,288			(231,308)
Non-controlling interests	549				549
Total comprehensive loss for the year	**(246,047)**	**15,288**	**–**	**–**	**(230,759)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31, 2023				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
Non-current assets					
Property and equipment	10,385	(3,742)	13,902		20,545
Intangible assets	14,294				14,294
Long-term investments	54,049	(40,884)		(13,165)	–
Interest in associates				13,165	13,165
Equity instruments at fair value through other comprehensive income		41,031			41,031
Investment Property		8,908			8,908
Operating lease right-of-use assets	13,992	(90)	(13,902)		–
Goodwill	54,427				54,427
Other non-current assets	3,528			(3,528)	–
Prepayments, deposits and other receivables				3,528	3,528
	150,675	**5,223**	**–**	**–**	**155,898**
Current assets					
Other financial assets	422,559				422,559
Inventories and other contract costs			2,907		2,907
Contract assets	26,107				26,107
Accounts receivable – third parties, net	143,421			(143,421)	–
Accounts receivable – a related party, net	704			(704)	–
Trade receivables				144,125	144,125
Amounts due from a related party	3,350			(3,350)	–
Prepayments, deposits and other receivables	109,455		(2,907)	3,350	109,898
Restricted bank deposits	4,502				4,502
Term deposits	545,368				545,368
Cash and cash equivalents	377,947				377,947
	1,633,413	**–**	**–**	**–**	**1,633,413**

	As of December 31, 2023				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
Current liabilities					
Accounts payable	87,729				87,729
Contract liabilities	363,228				363,228
Lease liabilities	10,300				10,300
Amounts due to related parties	205			(205)	–
Accrued expenses and other payables	124,540			205	124,745
	586,002	**–**	**–**	**–**	**586,002**
Net current assets	**1,047,411**	**–**	**–**	**–**	**1,047,411**
Total assets less current liabilities	**1,198,086**	**5,223**	**–**	**–**	**1,203,309**
Non-current liabilities					
Lease liabilities	2,164				2,164
Deferred income tax liabilities	857	22			879
Other non-current liabilities	27				27
	3,048	**22**	**–**	**–**	**3,070**
NET ASSETS	**1,195,038**	**5,201**	**–**	**–**	**1,200,239**

	As of December 31, 2023				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
CAPITAL AND RESERVES					
Class A Ordinary Shares	195			-195	–
Class B Ordinary Shares	17			-17	–
Share capital				212	212
Reserves				1,205,955	1,205,955
Additional paid-in capital	11,210,542	(17,974)		(11,192,568)	–
Treasury stock	(120,899)			120,899	–
Accumulated other comprehensive loss	(57,327)	2,743		54,584	–
Accumulated deficit	(9,831,562)	20,432		9,811,130	–
Total equity attributable to the Cloopen	**1,200,966**	**5,201**	**–**	**–**	**1,206,167**
Non-controlling interests	(5,928)				(5,928)
TOTAL EQUITY	**1,195,038**	**5,201**	**–**	**–**	**1,200,239**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31, 2024				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
Non-current assets					
Property and equipment	8,173	(3,393)	10,843		15,623
Intangible assets	11,609				11,609
Long-term investments	54,052	(40,884)		(13,168)	–
Interest in associates				13,168	13,168
Equity instruments at fair value through other comprehensive income		51,786			51,786
Investment Property		8,593			8,593
Operating lease right-of-use assets	10,800	43	(10,843)		–
Goodwill	54,427				54,427
Other non-current assets	3,639			(3,639)	–
Prepayments, deposits and other receivables				3,639	3,639
	142,700	**16,145**	**–**	**–**	**158,845**
Current assets					
Other financial assets	291,280				291,280
Inventories and other contract costs			4,181		4,181
Contract assets	27,752				27,752
Accounts receivable – third parties, net	120,374			(120,374)	–
Accounts receivable – a related party, net	389			(389)	–
Trade receivables				120,763	120,763
Amounts due from a related party	2,590			(2,590)	–
Prepayments, deposits and other receivables	119,996		(4,181)	2,590	118,405
Restricted bank deposits	10,396				10,396
Term deposits	222,783				222,783
Cash and cash equivalents	640,119				640,119
	1,435,679	**–**	**–**	**–**	**1,435,679**

	As of December 31, 2024				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
Current liabilities					
Accounts payable	95,485				95,485
Contract liabilities	306,112				306,112
Lease liabilities	5,843				5,843
Amounts due to related parties	154			(154)	–
Accrued expenses and other payables	101,009			154	101,163
	508,603	**–**	**–**	**–**	**508,603**
Net current assets	**927,076**	**–**	**–**	**–**	**927,076**
Total assets less current liabilities	**1,069,776**	**16,145**	**–**	**–**	**1,085,921**
Non-current liabilities					
Lease liabilities	4,731				4,731
Deferred income tax liabilities	466	1,635			2,101
	5,197	**1,635**	**–**	**–**	**6,832**
NET ASSETS	**1,064,579**	**14,510**	**–**	**–**	**1,079,089**

	As of December 31, 2024				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
CAPITAL AND RESERVES					
Class A Ordinary Shares	195			(195)	–
Class B Ordinary Shares	17			(17)	–
Share capital				212	212
Reserves				1,088,875	1,088,875
Additional paid-in capital	11,225,945	(4,788)		(11,221,157)	–
Treasury stock	(120,899)			120,899	–
Accumulated other comprehensive loss	(56,362)	11,885		44,477	–
Accumulated deficit	(9,974,319)	7,413		9,966,906	–
Total equity attributable to the Cloopen	**1,074,577**	**14,510**	**–**	**–**	**1,089,087**
Non-controlling interests	(9,998)				(9,998)
TOTAL EQUITY	**1,064,579**	**14,510**	**–**	**–**	**1,079,089**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31, 2025				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	GAAP difference Adjustments *(Unaudited)* *RMB'000* *(Note 1)*	Reclassification Adjustments *(Unaudited)* *RMB'000* *(Note 2)*	Presentation Adjustments *(Unaudited)* *RMB'000* *(Note 3)*	Adjusted Financial Information of Cloopen under the Group's Accounting Policies *(Unaudited)* *RMB'000*
Non-current assets					
Property and equipment	6,088	(3,044)	13,862		16,906
Intangible assets	9,271				9,271
Long-term investments	53,269	(40,884)		(12,385)	–
Interest in associates				12,385	12,385
Equity instruments at fair value through other comprehensive income		68,877			68,877
Investment Property		8,080			8,080
Operating lease right-of-use assets	14,122	(260)	(13,862)		–
Goodwill	54,427				54,427
Other non-current assets	2,925			(2,925)	–
Prepayments, deposits and other receivables				2,925	2,925
	140,102	**32,769**	**–**	**–**	**172,871**
Current assets					
Other financial assets	359,734				359,734
Inventories and other contract costs			120		120
Contract assets	57,290				57,290
Accounts receivable – third parties, net	139,651			(139,651)	–
Accounts receivable – a related party, net	488			(488)	–
Trade receivables				140,139	140,139
Amounts due from a related party	3,345			(3,345)	–
Prepayments, deposits and other receivables	111,954		(120)	3,345	115,179
Restricted bank deposits	28,107				28,107
Term deposits	211,463				211,463
Cash and cash equivalents	324,134				324,134
	1,236,166	**–**	**–**	**–**	**1,236,166**

	As of December 31, 2025				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
Current liabilities					
Accounts payable	129,831				129,831
Contract liabilities	299,483				299,483
Lease liabilities	8,093				8,093
Amounts due to related parties	391			(391)	–
Accrued expenses and other payables	102,675			391	103,066
	540,473	**–**	**–**	**–**	**540,473**
Net current assets	**695,693**	**–**	**–**	**–**	**695,693**
Total assets less current liabilities	**835,795**	**32,769**	**–**	**–**	**868,564**
Non-current liabilities					
Lease liabilities	3,785				3,785
Deferred income tax liabilities	76	4,199			4,275
	3,861	**4,199**	**–**	**–**	**8,060**
NET ASSETS	**831,934**	**28,570**	**–**	**–**	**860,504**

	As of December 31, 2025				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
CAPITAL AND RESERVES					
Class A Ordinary Shares	195			(195)	–
Class B Ordinary Shares	17			(17)	–
Share capital				212	212
Reserves				869,741	869,741
Additional paid-in capital	11,239,347	(6,016)		(11,233,331)	–
Treasury stock	(120,899)			120,899	–
Accumulated other comprehensive loss	(63,608)	26,412		37,196	–
Accumulated deficit	(10,213,669)	8,174		10,205,495	–
Total equity attributable to the Cloopen	**841,383**	**28,570**	**–**	**–**	**869,953**
Non-controlling interests	(9,449)				(9,449)
TOTAL EQUITY	**831,934**	**28,570**	**–**	**–**	**860,504**

Note:

1. GAAP difference adjustments

(i) Investment Property

The Cloopen Group owns offices held for rental purposes, which are included in property, plant and equipment with the cost model applied under U.S. GAAP. According to IAS40.30, an entity shall select its accounting policy either the fair value model or the cost model and shall apply that policy to all of its investment property. The Group elected to apply the fair value model to account for its investment property, and gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Had Cloopen adopted the Group's Accounting Policies, the impacts of the adjustments on the Cloopen's consolidated statements of financial position as at December 31, 2023, 2024 and 2025, and the consolidated statements of profit or loss and consolidated statements of comprehensive loss for the three years ended December 31, 2023, 2024 and 2025 are set out below.

Consolidated Statement of Financial Position	**As at December 31,**		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
	Unaudited	*Unaudited*	*Unaudited*
	Dr./(Cr.)	*Dr./(Cr.)*	*Dr./(Cr.)*
Property and equipment	(3,742)	(3,393)	(3,044)
Investment Property	8,908	8,593	8,080
Accumulated other comprehensive loss	(6,118)	(6,118)	(6,118)
Accumulated deficit	952	918	1,082

Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss	**For the year ended December 31,**		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
	Unaudited	*Unaudited*	*Unaudited*
	Dr./(Cr.)	*Dr./(Cr.)*	*Dr./(Cr.)*
Other net loss	1,301	315	513
General and administrative expenses	(349)	(349)	(349)

The fair value of the investment property for Relevant Periods has been determined based on a valuation carried out by an independent valuer unrelated to the Group and the Cloopen Group.

(ii) Leases

Under U.S. GAAP, the amortization of the right-of-use ("**ROU**") assets and interest expenses related to the lease liabilities are recorded collectively as lease costs included in the income statement on a straight-line basis over the lease term, which is unlike IFRS Accounting Standards, under this method, amortization each period is calculated as the difference between the straight-line lease cost for the period and the periodic accretion of the lease liability using the effective interest method. According to IFRS 16 and the Group's Accounting Policies, ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, and interest expenses on the lease liabilities are calculated using the incremental borrowing rate at the lease commencement date and recognised in the line of "net finance income".

Had Cloopen adopted the Group's Accounting Policies, the differences between the amortization of ROU assets for each period were included in the "GAAP difference adjustments" of the Reconciliation statement, and the interest expenses on lease liabilities have been reclassified and presented in the line of "net finance income". The detailed adjustment information is set out below.

Consolidated Statement of Financial Position	**As at December 31,**		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
	Unaudited	*Unaudited*	*Unaudited*
	Dr./(Cr.)	*Dr./(Cr.)*	*Dr./(Cr.)*
Operating lease right-of-use assets	(90)	43	(260)
Accumulated deficit	90	(43)	260

Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss	For the year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
	Unaudited	*Unaudited*	*Unaudited*
	Dr./(Cr.)	*Dr./(Cr.)*	*Dr./(Cr.)*
Revenue	382	398	252
Other net income	(382)	(398)	(252)
Research and development expenses	(665)	(309)	(217)
General and administrative expenses	(99)	(85)	(107)
Selling and marketing expenses	(381)	(268)	(188)
Interest expense	1,235	529	815

(iii) Share-based payments

Under Cloopen's Accounting Policies, share-based awards granted to the founders and employees in the form of restricted shares are measured at the grant date fair value of the awards, and are recognized as compensation expenses using the graded-vesting schedules over the requisite service period for each separately vesting portion (or tranche) of the award. Cloopen has elected to recognize the effect of forfeitures in compensation cost when they occur. Where the required vesting conditions are not met and the awards are forfeited, previously recognized compensation expenses relating to such awards are reversed. According to IFRS 2.33, at the end of each reporting period, the Group shall revise its estimate of the number of equity instruments expected to vest based on an assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss, so that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to the share-based payments reserve.

Had Cloopen adopted the Group's Accounting Policies, the Directors would have reassessed the estimate of the number of equity instruments expected to vest, taking into account the forfeiture rate observed during the period from 2022 to 2025. The impact of the adjustments on the Cloopen's consolidated statements of financial position as at December 31, 2023, 2024 and 2025, and the consolidated statements of profit or loss and consolidated statements of comprehensive loss for the three years ended December 31, 2023, 2024 and 2025 are set out below.

Consolidated Statement of Financial Position	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
	Unaudited	*Unaudited*	*Unaudited*
	Dr./(Cr.)	*Dr./(Cr.)*	*Dr./(Cr.)*
Additional paid-in capital	17,974	4,788	6,016
Accumulated deficit	(17,974)	(4,788)	(6,016)

Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss	For the year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
	Unaudited	*Unaudited*	*Unaudited*
	Dr./(Cr.)	*Dr./(Cr.)*	*Dr./(Cr.)*
Cost of revenues	4	–	–
Research and development expenses	4,753	4,667	786
General and administrative expenses	11,064	5,724	(53)
Selling and marketing expenses	3,321	2,795	(1,961)

(iv) Other equity investments at fair value through other comprehensive income ("**FVOCI**")

Cloopen elects the measurement alternative under ASC 321 and measures investments in "equity investment" at cost, adjusted for changes resulting from impairments and observable price changes in orderly transactions for identical or similar securities of the same issuer. The directors of Cloopen review information in periodic financial statements and other documentation received from the investees to determine whether observable price changes have occurred. Under the Group's Accounting Policies, investments in equity securities are classified as fair value through profit or loss, unless the investment are not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income, and are not subject to impairment assessment.

For other equity investments of the Cloopen Group, the Directors believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run, accordingly, the Directors have elected to designate these investments in equity instruments as at FVOCI.

Had Cloopen adopted the Group's Accounting Policies, the impacts of the adjustments on the Cloopen's consolidated statements of financial position as at December 31, 2023, 2024 and 2025, and the consolidated statements of profit or loss and consolidated statements of comprehensive loss for the three years ended December 31, 2023, 2024 and 2025 are set out below.

Consolidated Statement of Financial Position	**As at December 31,**		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
	Unaudited	*Unaudited*	*Unaudited*
	Dr./(Cr.)	*Dr./(Cr.)*	*Dr./(Cr.)*
Long-term investments	(40,884)	(40,884)	(40,884)
Equity instruments at fair value through other comprehensive income	41,031	51,786	68,877
Deferred income tax liabilities	(22)	(1,635)	(4,199)
Accumulated other comprehensive loss/(gain)	3,375	(5,767)	(20,294)
Accumulated deficit	(3,500)	(3,500)	(3,500)

Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss	**For the year ended December 31,**		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
	Unaudited	*Unaudited*	*Unaudited*
	Dr./(Cr.)	*Dr./(Cr.)*	*Dr./(Cr.)*
Impairment loss of long-term investments	(3,500)	–	–
Fair value loss/(gain) on investments in equity instruments at fair value through other comprehensive income	5,315	(9,142)	(14,527)

The fair value of other equity investments has been determined based on a valuation carried out by an independent valuer unrelated to the Group and the Cloopen Group.

2. Reclassification adjustments

(i) Contract costs

Under Cloopen's Accounting Policies, contract costs are presented under the line item "Prepaid expense and other current assets" in the consolidated balance sheets. Under the Group's Accounting Policies, the costs to fulfill a contract are capitalized if they (i) relate directly to an existing contract or to a specifically identifiable anticipated contract, (ii) generate or enhance resources for future delivery of goods or services, and (iii) are expected to be recoverable. Such capitalised costs are presented under the line item of "Inventories and other contract costs". Therefore, the contract costs, amounted to RMB2,907,000, RMB4,181,000 and RMB120,000 as at December 31, 2023, 2024 and 2025, have been reclassified accordingly and included in the Reconciliation set out above.

(ii) ROU assets

Under the Cloopen's Accounting Policies, ROU assets are presented as a separate line item in the consolidated balance sheets. Under the Group's Accounting Policies, ROU assets are included within property, plant and equipment, the same line item that would be used if the underlying assets were owned outright. Therefore, ROU assets, amounted to RMB13,902,000, RMB10,843,000 and RMB13,862,000 as at December 31, 2023, 2024 and 2025, have been reclassified into the property, plant and equipment line item in the Reconciliation set out above.

(iii) Impairment losses of trade receivables, contract assets and other receivables reversed/(recognized)

Under Cloopen's Accounting Policies, the Allowance for Doubtful Accounts is presented within General and administrative expenses. According to IAS 1.82 and IFRS 7.20A, the profit or loss section or the statement of profit or loss shall present line items for impairment losses (including reversals of impairment losses or impairment gains) recognised in accordance with Section 5.5 of IFRS 9. Therefore, the impairment losses/(reversals) of impairment losses relating to trade receivables, contract assets and other receivables, amounted to RMB16,456,000, RMB(3,875,000) and RMB2,802,000 for each of the years ended December 31, 2023, 2024 and 2025, have been reclassified and presented as a separate line item.

3. Presentation adjustments

These adjustments for each of the Relevant Periods are presentation adjustments made to bring the Cloopen Historical Financial Information in line with the presentation adopted in the Group's consolidated financial statements, as if the former is prepared under the Group's Accounting Policies.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP FOLLOWING THE ACQUISITION OF APPROXIMATELY 34.03% OF EFFECTIVE ECONOMIC INTEREST IN CLOOPEN GROUP HOLDING LIMITED (THE "TARGET COMPANY")

1. Introduction

The following is the unaudited pro forma consolidated statement of assets and liabilities of Dmall Inc. ("**the Company**") and its subsidiaries ("**the Group**") as if the acquisition of approximately 34.03% effective economic interest in Cloopen Group Holding Limited (the "**Target Company**") (the "**Acquisition**") had been completed on December 31, 2025 (the "**Unaudited Pro Forma Financial Information**").

The Unaudited Pro Forma Financial Information is prepared by the Directors of the Company in accordance with Paragraph 4.29 of the Listing Rules and has been prepared for illustrative purposes only to show the effect of the Acquisition.

Narrative descriptions of the unaudited pro forma adjustments that are directly attributable to the Acquisition and factually supportable are summarized in the accompanying notes to the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Acquisition been completed as of the specified dates or any other dates.

The Unaudited Pro Forma Financial Information of the Group is based on the consolidated statement of financial position of the Group at December 31, 2025, which has been extracted from the Company's annual report for the year then ended and pro forma adjustments described in the notes. These pro forma adjustments are directly attributable to the Acquisition and not relating to other future events and decisions.

The Unaudited Pro Forma Financial Information of the Group should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Company for the year ended December 31, 2025 and other financial information included elsewhere in this circular.

2. Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Group as at December 31, 2025

(Expressed in Renminbi)

	The Group as at December 31, 2025	Pro forma adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Group
	RMB'000	*RMB'000*	*Notes*	*RMB'000*
Non-current assets				
Property and equipment	72,064			72,064
Intangible assets	114,328			114,328
Interest in an associate	–	247,161	(a), (b)	247,161
Goodwill	106,304			106,304
Prepayments, deposits and other receivables	5,429			5,429
Deferred tax assets	41,315			41,315
	339,440			586,601
Current assets				
Other financial assets	82,150			82,150
Inventories and other contract costs	18,821			18,821
Contract assets	6,648			6,648
Trade receivables	340,424			340,424
Prepayments, deposits and other receivables	86,720			86,720
Cash and cash equivalents	860,026	(247,161)	(a)	612,865
	1,394,789			1,147,628

	The Group as at December 31, 2025	Pro forma adjustments	Notes	Unaudited pro forma consolidated statement of assets and liabilities of the Group
	RMB'000	*RMB'000*	*Notes*	*RMB'000*
Current liabilities				
Trade payables	110,927			110,927
Accrued expenses and other payables	150,281			150,281
Bank loans and other borrowings	312,628			312,628
Contract liabilities	139,269			139,269
Lease liabilities	23,420			23,420
Current taxation	106			106
	736,631			736,631
Net current assets	658,158			410,997
Total assets less current liabilities	997,598			997,598
Non-current liabilities				
Bank loans and other borrowings	21,000			21,000
Lease liabilities	11,280			11,280
Deferred tax liabilities	9,139			9,139
Other non-current liabilities	607			607
	42,026			42,026
Net Assets	955,572			955,572

3. Notes to the Unaudited Pro Forma Financial Information of the Group

(a) The adjustments represent the total consideration of approximately USD35,163,980 (approximately RMB247,160,583) in cash for acquisition of 34.03% effective economic interest in the Target Company.

(b) Upon completion of the Acquisition, the Group is expected to own as to 34.03% effective economic interest of the Target Company. The Group would be able to exercise significant influence over the relevant activities of the Target Company and then the Target Company is accounted for as an associate of the Group.

No adjustment has been made to the Unaudited Pro Forma Financial Information for acquisition-related costs as the Directors determined that such costs are insignificant.

(c) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2025.

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Dmall Inc.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Dmall Inc. (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at December 31, 2025 and related notes as set out in Part A of Appendix IIIB to the circular dated June 30, 2026 (the "**Circular**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix IIIB to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 34.03% effective economic interest in Cloopen Group Holding Limited (the "**Acquisition**") on the Group's assets and liabilities as at December 31, 2025 as if the Acquisition had taken place at December 31, 2025. As part of this process, information about the Group's assets and liabilities as at December 31, 2025 has been extracted by the Directors from the consolidated financial statements of the Company for the year then ended, on which an audit report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at December 31, 2025 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma 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:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

June 30, 2026

Financial information (including the management discussion and analysis) of the Cloopen Group for the financial years ended December 31, 2023, 2024 and 2025 is disclosed in the annual reports of Cloopen for the three years ended December 31, 2023, 2024 and 2025 which are available at the website of the U.S. Securities and Exchange Commission (http://www.sec.gov).

The following discussion and analysis of the financial results and additional related disclosures of the Cloopen Group for the financial years ended December 31, 2023, 2024 and 2025 are extracted from the said annual reports of Cloopen and are prepared based on, and should be read in conjunction with, the consolidated financial statements of the Cloopen Group for the same financial years as set out in the same annual reports of the Cloopen Group (which are also extracted in Appendix II to this circular).

The disclosures extracted in this Appendix IV were issued in English and the Chinese translated version is provided for information purposes only. In case of discrepancies between the two versions, the English version shall prevail.

The Directors wish to emphasise that the extracts reproduced below are not prepared for incorporation into this circular and the Company has not participated in their preparation. As such, the Directors do not express any view as to their truth, accuracy or completeness, and the Shareholders and investors should exercise caution and should not place undue reliance on such information.

A1. OPERATING AND FINANCIAL REVIEW AND PROSPECTS OF THE CLOOPEN GROUP FOR THE YEAR ENDED DECEMBER 31, 2023

[OMITTED]

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our results of operations and financial condition together with the consolidated financial statements and related notes included elsewhere in this annual report. This discussion contains forward-looking statements based upon current plans, expectations and beliefs that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the section of this annual report captioned "Item 3. Key Information—D. Risk Factors" and in other parts of this annual report. Our fiscal year ends on December 31.

A. Operating Results

Overview

We are a leading multi-capability cloud-based communications solution provider in China offering a full suite of cloud-based communications solutions, covering CPaaS, cloud-based CC and cloud-based UC&C. We serve a diverse and loyal customer base consisting of enterprises of all sizes across a variety of industries, including internet, telecommunications, financial services, industrial manufacturing and energy.

We generate our revenues primarily from our CPaaS, cloud-based CC and cloud-based UC&C solutions. We generally charge our customers using our CPaaS solutions on a recurring basis, based on the monthly number of text messages and call minutes facilitated. We charge our customers using our cloud-based CC solutions deployed on public cloud on a recurring basis, with a combination of seat subscription fees and related resource usage fees. We generally charge our customers using our cloud-based CC solution deployed on private cloud and cloud-based UC&C solutions on a project basis. We plan to promote solutions that we offer on a recurring basis to lower customer acquisition costs, which we expect would favorably contribute to our profit margins.

As of December 31, 2021, 2022 and 2023, we had an active customer base of 11,406, 9,980 and 8,703 enterprises, respectively, among which 142, 118 and 121 were large-enterprise customers, respectively. In 2021, 2022 and 2023, the dollar-based net customer retention rate in relation to solutions we offer on a recurring basis was 90.2%, 61.7% and 85.8%, respectively, and the dollar-based net customer retention rate for active customers was 94.2%, 64.5% and 89.0%, respectively. We served 274, 229 and 279 customers for our project-based solutions in 2021, 2022 and 2023, respectively. Our revenues decreased by 21.1% from RMB752.7 million in 2021 to RMB593.6 million in 2022, and further decreased by 3.8% to RMB571.0 million (USD$80.4 million) in 2023, of which 71.2%, 64.0% and 65.6% were recurring revenues in the same years, respectively. In 2021, 2022 and 2023, we incurred net loss of RMB904.5 million, RMB975.9 million and RMB412.4 million (US$58.1 million), respectively, and our adjusted EBITDA was RMB422.8 million, RMB563.4 million and RMB405.5 million (US$57.1 million), respectively. See "—Non-GAAP Financial Measures" for information on how we define and calculate the non-GAAP financial measures as well as a reconciliation of non-GAAP adjusted EBITDA to net loss.

Factors Affecting Our Results of Operations

Our business and results of operations are affected by China's overall economic conditions and structural transformations, especially the development of telecommunications industry and cloud-based communications industry, as well as the following industry- and company-specific factors.

Capturing market opportunity

Our ability to capture market opportunity is critical to our growth prospects. Compared to more developed regions such as the North America and Western Europe, enterprises in China are still in the early stages of adopting cloud-based technologies, which presents significant growth opportunity. The maturity level of China's network and related infrastructure for cloud computing also provides a solid foundation for rapid adoption of cloud technologies in China.

In addition, China's communications industry is highly fragmented, consisting primarily of many local players. The software-based nature and scalability of cloud-based communications solutions are well-suited to allow easy deployment across different geographical locations and industries. We focus on applying cloud-based technologies to enterprise communications, leveraging our established partnerships with multiple regional mobile network operators. Equipped with such established business relationships as well as our solutions and proprietary technologies in AI and video communications, we believe we are well-positioned to capture the significant market opportunity to consolidate China's cloud-based communications industry. Meanwhile, in order to achieve a larger market share, we will need to devote more managerial attention and financial and other resources to address the potential challenges faced by a rapidly growing business in an evolving industry.

Improving customer acquisition, retention and lifetime value

Our results of operations are highly dependent on the total number and the lifetime value of our customers. We have cultivated a large and diverse customer base of enterprises of all sizes and various industries, including internet, telecommunications, financial services, industrial manufacturing and energy. As of December 31, 2021, 2022 and 2023, we had an active customer base of 11,406, 9,980 and 8,703 enterprises, respectively, among which 142, 118 and 121 were large-enterprise customers, respectively. To retain and grow our customer base, we need to predict future market acceptance and customer demand and continue to invest in sales and marketing to penetrate into more industry verticals and second- and lower-tier cities and further promote our brand image and recognition in China's cloud-based communications industry. We also plan to expand our cross-selling and up-selling efforts to existing customers.

Introducing new features and solutions

To capitalize on the opportunities from the fast-evolving communications needs of China's enterprises of all sizes, we believe it is critical to continuously develop and introduce new features and solutions that optimize communication efficiency and efficacy and enhance operational productivity. We believe our capabilities of developing and offering a comprehensive portfolio of industry-specific solutions that satisfy disparate needs and complex internal integration and deployment requirements contribute to the success of our business operations. We must continue to invest in research and development with a focus on AI and video technologies and incorporate these technologies to develop more innovative features and solutions. We will also need to enhance the interaction of product development and sales activities and actively seek and analyze customer feedback in order to design new features and solutions catering to customer demands.

Optimizing product offering mix

Our ability to manage our product offering mix affects our results of operations, especially our overall profit margin. For example, our cloud-based CC and cloud-based UC&C solutions typically carry higher gross profit margins, as these solutions are more technologically advanced and, therefore, give us greater pricing power. To improve our overall profit margin and achieve higher financial scalability, we will need to continue to shift our focus toward offering solutions with higher profit margins. We also plan to selectively promote solutions that we offer on a recurring basis to lower customer acquisition costs, which we expect would favorably contribute to our profit margins. In addition, we need to serve more customers in targeted industries to lower the incremental industry customization costs and to achieve greater economies of scale and higher profit margins from the industries we more broadly serve.

Controlling costs and expenses

One of the largest costs we incur during our business operations, particularly for our CPaaS solutions and cloud-based CC solutions that we offer on a recurring basis, is service fees paid for telecommunications resources. In 2021, 2022 and 2023, costs paid for telecommunications resources represented 65.3%, 51.6% and 55.0%. of our total cost of revenues, respectively. Mobile network operators in China typically adjust the unit prices for resources, such as text messages and voice calls, once every several years based on government recommendations. A sudden adjustment by major mobile network operators would likely negatively affect our results of operations in current contract periods because we may not be able to pass on the impact to our customers as a result of fixed unit resource price throughout the current contract periods. On the other hand, we are generally able to pass on the impact from such unit price adjustment to customers relatively quickly due to our relatively short contract periods, which enable us to adjust our resource usage fees from time to time. Additionally, we may also benefit from the increase in the unit resource price in the long term because such price increase could eliminate weaker market players and strengthen our market leadership position.

In addition, staff costs and expenses incurred to attract and retain a team of talented staff is a major component of our overall costs and expenses. While we strive to optimize our compensation and incentive structure, we remain mindful that investment in human resources plays a significant role in maintaining our competitive position. As a significant portion of our overall costs and expenses, our ability to control our staff costs and expenses without compromising our competitiveness is critical to our results of operations.

Managing development cycle

Our ability to manage the overall development cycle of our project-based solutions affects our revenues and profit margin in specific periods. We generally incur a significant amount of upfront investment and costs in developing new solutions and serving customers in new industries to meet their complex communications needs, implementation requirements and industry-specific customizations. We have also historically undertaken smaller projects with lower profit margins to enter into the markets for project-based solutions, such as for our cloud-based UC&C solutions. These initial development costs and investments may increase our costs and expenses and decrease our overall profit margins in certain periods. We are generally able to replicate our initial solution development and achieve economies of scale quickly after we deliver our industry-specific projects to more customers within the same industry or build upon our existing projects to develop similar solutions for more customers from other industries. As we continue to standardize our industry-specific solutions for more customers in diverse industries, we expect to manage the upfront investment at reasonable level and optimize our development cycle.

Strategic investment and acquisitions

We have made, and intend to continue to make, strategic acquisitions to solidify our current market presence and expand into new industries. For example, in March 2021, we acquired all the equity interests of EliteCRM, a leading customer relationship management software provider, and in December 2021, we acquired all the equity interests of Zhuge, a user-centric intelligent data solution provider. We intend to selectively pursue strategic alliances and investments to further strengthen our competitiveness. We expect to evaluate and execute alliance, investment and acquisition opportunities that complement and scale up our business, optimize our profitability, help us expand into adjacent industries and add new capabilities to our cloud-based solutions. Our strategic alliances, investments and acquisitions would likely impact our business, results of operations and financial condition.

Seasonality

Our business is subject to seasonal fluctuations. We believe that our quarterly sales are affected by industry buying patterns. Our customers, especially large enterprises, tend to enter into contracts with us in the second half of each year in accordance with their budget cycles. As such, we generally record higher revenues during such periods. In addition, we typically generate lower revenues in the first quarter during or around Chinese New Year holiday. Changes in seasonal trends may cause fluctuations in our results of operations and financial condition.

Key Operating Metrics

	As of/For the Year Ended December 31,		
	2021	2022	2023
Number of active customers	11,406	9,980	8,703
Number of large-enterprise customers	142	118	121
Percentage of revenue contribution by large-enterprise customers	72.1%	65.0%	67.0%
Dollar-based net customer retention rate	90.2%	61.7%	85.8%

* The operating metrics as of/for the year ended December 31, 2021 include the operating metrics of EliteCRM since the second quarter of 2021, which we acquired in March 2021, and exclude the operating metrics of Zhuge, which we acquired in December 2021. The operating metrics of EliteCRM and Zhuge are included in the operating metrics as of/for the year ended December 31, 2022 and 2023, except that the dollar-based net customer retention rate does not include the operating results of Zhuge in 2022 due to the lack of data for calculation in 2021.

Our dollar-based net customer retention rate decreased from 90.2% in 2021 to 61.7% in 2022, as we strategically downsized our business of CPaaS solutions. Our dollar-based net customer retention rate increased to 85.8% in 2023, primarily due to an increase in the business demand for text messaging services from our financial institution customers. In 2021, 2022 and 2023, our dollar-based net customer retention rate for active customers was 94.2%, 64.5% and 89.0%, respectively.

We expect that, as the applicable regulatory framework becomes more established and China's economy recovers from the COVID-19 pandemic, and as we continuously optimize our existing solutions and develop new features and solutions, our dollar-based net customer retention rate will remain stable at a relatively high level.

Non-GAAP Financial Measures

To supplement our consolidated financial statements which are presented in accordance with U.S. GAAP, we also use non-GAAP net loss and adjusted EBITDA as additional non-GAAP financial measures. We present the non-GAAP financial measures because they are used by our management to evaluate our operating performance. We also believe that the non-GAAP financial measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

We define non-GAAP net loss as net loss excluding share-based compensation, change in fair value of warrant liabilities, change in fair value of long-term investments, (gain)/loss from disposal of subsidiaries, net, gain from disposal of long-term investments, impairment loss of long-term investments, impairment loss of intangible assets, impairment loss of goodwill, provision for U.S class action, and other operating expenses. We define adjusted EBITDA as net loss excluding depreciation and amortization, interest expenses, net, income tax expense/(benefit), share-based compensation, investment income, impairment loss of long-term investments, impairment loss of intangible assets, impairment loss of goodwill, provision for U.S class action, other operating expenses, (gain)/loss from disposal of subsidiaries, net, gain from disposal of long-term investments, share of losses of equity method investments, change in fair value of warrant liabilities, change in fair value of long-term investments, and foreign currency exchange (gains)/losses, net. We believe that non-GAAP financial measures provide useful information to investors and others in understanding and evaluating our operating results. The non-GAAP financial measures adjust for the impact of items that we do not consider indicative of the operational performance of our business and should not be considered in isolation or construed as an alternative to net loss or any other measure of performance or as an indicator of our operating performance. Investors are encouraged to compare the historical non-GAAP financial measures with the most directly comparable GAAP measures. The non-GAAP financial measures presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

The following table sets forth a reconciliation of our non-GAAP financial measures to net loss for the years indicated.

	Year Ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US$
	(in thousands)			
Net loss	**(904,452)**	**(975,899)**	**(412,374)**	**(58,083)**
Add:				
Share-based compensation	277,616	107,462	22,239	3,133
Change in fair value of warrant liabilities	29,011	—	—	—
Change in fair value of long-term investments	(47,247)	—	—	—
(Gain)/loss from disposal of subsidiaries, net	(2,899)	2,739	—	—
Gain from disposal of long-term investments	—	(5,138)	—	—
Impairment loss of long-term investments	6,603	7,400	8,011	1,128
Impairment loss of intangible assets	136	28,011	—	—
Impairment loss of goodwill	149,092	107,407	—	—
Provision for U.S class action	—	83,575	—	—
Other operating expenses	51,354	70,417	—	—
Non-GAAP net loss	**(440,786)**	**(574,026)**	**(382,124)**	**(53,822)**
Net loss	**(904,452)**	**(975,899)**	**(412,374)**	**(58,083)**
Add:				
Depreciation and amortization	10,504	13,893	8,775	1,236
Interest expenses, net	(10,978)	(14,199)	(26,826)	(3,778)
Income tax expense/(benefit)	11,120	(342)	(564)	(79)
EBITDA:	**(893,806)**	**(976,547)**	**(430,989)**	**(60,704)**
Adjust:				
Share-based compensation	277,616	107,462	22,239	3,133
Investment income	—	(340)	(563)	(79)
Impairment loss of long-term investments	6,603	7,400	8,011	1,128
Impairment loss of intangible assets	136	28,011	—	—
Impairment loss of goodwill	149,092	107,407	—	—
Provision for U.S class action	—	83,575	—	—
Other operating expenses	51,354	70,417	—	—
(Gain)/loss from disposal of subsidiaries, net	(2,899)	2,739	—	—
Gain from disposal of long-term investments	—	(5,138)	—	—
Share of losses of equity method investments	596	1,969	1,470	207
Change in fair value of warrant liabilities	29,011	—	—	—
Change in fair value of long-term investments	(47,247)	—	—	—
Foreign currency exchange (gains)/losses, net	6,696	9,666	(5,699)	(803)
Adjusted EBITDA	**(422,848)**	**(563,379)**	**(405,431)**	**(57,118)**

Key Components of Our Results of Operations

Revenues

We generate revenue primarily from the sales of our CPaaS, cloud-based CC and cloud-based UC&C solutions. In 2021, 2022 and 2023, our revenues were RMB752.7 million, RMB593.6 million and RMB571.0 million (US$80.4 million), respectively. The following table sets forth the breakdown of our total revenues both in absolute amount and as a percentage of total revenues in the years indicated.

	Year Ended December 31,						
	2021		2022		2023		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
CPaaS							
Text messaging	235,842	31.3	119,416	20.1	136,654	19,247	23.9
Voice calls	56,892	7.6	25,953	4.4	25,958	3,656	4.5
Jointly-operated CPaaS	22,546	3.0	27,591	4.6	15,439	2,175	2.7
IoT	30,467	4.0	13,268	2.2	13,937	1,963	2.4
Others	3,122	0.4	5,936	1.0	3,423	482	0.6
Subtotal	**348,869**	**46.3**	**192,164**	**32.4**	**195,411**	**27,523**	**34.2**
Cloud-based CC							
Recurring[(1)]	186,684	24.8	187,693	31.6	179,042	25,218	31.4
Project	89,442	11.9	123,072	20.7	77,919	10,975	13.6
Subtotal	**276,126**	**36.7**	**310,765**	**52.3**	**256,961**	**36,193**	**45.0**
Cloud-based UC&C	**125,358**	**16.7**	**89,350**	**15.1**	**117,554**	**16,556**	**20.6**
Other services	**2,335**	**0.3**	**1,355**	**0.2**	**1,098**	**155**	**0.2**
Total revenues	**752,688**	**100.0**	**593,634**	**100.0**	**571,024**	**80,427**	**100.0**

(1) Includes cloud-based CC solutions deployed primarily on public cloud, for which we charge a combination of seat subscription fees and related resource usage fees.

Our revenues from CPaaS solutions primarily include usage-based fees for sending text messages and making voice calls. We generally charge our customers on a recurring basis, based on the monthly number of text messages and call minutes facilitated through our CPaaS solutions. We also assist and support mobile network operators in establishing and operating communications service platforms, and recognize revenues pursuant to the revenue sharing arrangements. In addition, we recognize revenues from IoT related services on a net basis.

Our revenues from cloud-based CC solutions primarily consist of seat subscription fees and related resource usage fees, and to a lesser extent, software license fees and related service fees. We charge customers using our cloud-based CC solutions deployed on public cloud a combination of seat subscription fees and related resource usage fees that are determined according to the capacity and number of functional modules embedded as well as the number of texts and call minutes facilitated through our solutions. In 2021, 2022 and 2023, solutions that we offer on a recurring basis generated 67.6%, 60.4% and 69.7% of our revenues from cloud-based CC solutions, respectively. We generally charge customers using our solutions deployed on private cloud software license fees and related customized service fees that are negotiated on a project basis and recognize revenues in accordance with the agreed-upon project milestones. The delivery cycle of our project-based cloud-based CC solutions typically ranges from three to 12 months.

Our revenues from cloud-based UC&C solutions primarily consist of software license fees and related services fees from individual projects, and to a lesser extent, service fees relating to maintenance and upgrade services. We negotiate these fees with customers on a project basis and charge them in accordance with the agreed-upon project milestones. The delivery cycle of our project-based cloud-based UC&C solutions typically ranges from three to 12 months. Additionally, we also generate revenues from software development and other technical support service fees charged on a project basis.

Our revenues from other services primarily consist of revenues generated from mobile network operator services and cloud-based value-added services.

Cost of revenues

Our cost of revenues primarily consists of (1) costs paid for telecommunications resources, (2) outsourcing costs, (3) infrastructure and equipment costs, and (4) staff costs related to solution delivery. In 2021, 2022 and 2023, our cost of revenues was RMB408.8 million, RMB367.3 million and RMB366.4 million (US$51.6 million), respectively. The following table sets forth the breakdown of our cost of revenues by nature both in absolute amount and as a percentage of total cost of revenues in the years indicated.

	Year Ended December 31,						
	2021		2022		2023		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Costs of telecommunications resources	313,912	65.3	189,376	51.6	201,683	28,407	55.0
Outsourcing costs	85,174	17.7	99,608	27.1	49,264	6,939	13.5
Infrastructure and equipment costs	40,633	8.5	41,656	11.3	40,011	5,635	10.9
Staff costs	35,415	7.4	33,266	9.1	68,459	9,642	18.7
Rentals and others	5,621	1.2	3,428	0.9	6,958	980	1.9
Total cost of revenues	**480,755**	**100.0**	**367,334**	**100.0**	**366,375**	**51,603**	**100.0**

Costs of telecommunications resources represent fees we pay to mobile network operators based on the number of texts and minutes of voice calls we subscribed for. We typically enter into annual contracts with mobile network operators which set forth the unit price for each text message and every minute of voice call. In 2021, 2022 and 2023, costs of telecommunications resources represented the largest portion of our cost of revenues, representing 65.3%, 51.6% and 55.0% of our total cost of revenues, respectively. We also outsource certain parts of the solution delivery and incur outsourcing costs. Infrastructure and equipment costs relate to our use of servers and our purchase of hardware and equipment to support our solutions. Staff costs represent compensation paid to employees who primarily deliver solution customization and perform other services to customers. Rentals and others primarily consist of rental costs related to our leases.

The following table sets forth the breakdown of our cost of revenues by service type both in absolute amount and as a percentage of total cost of revenues in the years indicated.

	Year Ended December 31,						
	2021		2022		2023		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
CPaaS							
Text messaging	221,065	46.0	111,999	30.5	128,564	18,108	35.1
Voice calls	44,872	9.3	24,133	6.6	24,026	3,384	6.6
Jointly-operated CPaaS	572	0.1	281	0.1	262	37	0.1
IoT	—	—	—	—	—	—	—
Others	3,935	0.8	2,968	0.8	2,754	388	0.8
Subtotal	**270,444**	**56.3**	**139,381**	**37.9**	**155,606**	**21,917**	**42.5**
Cloud-based CC							
Recurring(1)	88,843	18.5	95,260	25.9	86,109	12,128	23.5
Project	47,337	9.8	70,851	19.3	42,997	6,056	11.7
Subtotal	**136,180**	**28.3**	**166,111**	**45.2**	**129,106**	**18,184**	**35.2**
Cloud-based UC&C	**73,346**	**15.3**	**60,936**	**16.6**	**80,722**	**11,369**	**22.0**
Other services	**785**	**0.2**	**906**	**0.2**	**941**	**133**	**0.3**
Total cost of revenues	**480,755**	**100.0**	**367,334**	**100.0**	**366,375**	**51,603**	**100.0**

(1) Includes cloud-based CC solutions deployed primarily on public cloud, for which we charge a combination of seat subscription fees and related resource usage fees.

Gross profit

Our gross profit was RMB271.9 million, RMB226.3 million and RMB 204.6 million (US$28.8 million) in 2021, 2022 and 2023, respectively. Our overall gross profit margin was 36.1%, 38.1% and 35.8%, respectively. The following table sets forth a breakdown of our gross profit and gross profit margin.

	Year Ended December 31,						
	2021		2022		2023		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
CPaaS	78,425	22.5	52,783	27.5	39,805	5,606	20.4
Cloud-based CC[(1)]	139,946	50.7	144,654	46.5	127,855	18,009	49.8
Cloud-based UC&C	52,012	41.5	28,414	31.8	36,832	5,187	31.3
Other services	1,550	66.4	449	33.1	157	22	14.3
Total	**271,933**	**36.1**	**226,300**	**38.1**	**204,649**	**28,824**	**35.8**

(1) The gross profit margin for cloud-based CC solutions that we offer on a recurring basis was 52.4%, 49.2% and 51.9% in 2021, 2022 and 2023, respectively.

The gross profit margin of our CPaaS solutions and cloud-based CC solutions that we offer on a recurring basis is primarily affected by the costs of telecommunications resources we paid to mobile network operators, which represented a majority of the costs for these solutions in 2021, 2022 and 2023. See "—Factors Affecting our Results of Operations—Controlling costs and expenses" for details of the impacts.

The gross profit margin of our cloud-based CC solutions on a project basis and cloud-based UC&C solutions is affected primarily by the maturity and complexity of a specific project. See "—Factors Affecting our Results of Operations—Managing development cycle" for details of the impacts.

Operating expenses

The following table sets forth our operating expenses, both in absolute amount and as a percentage of our total operating expenses, for the years indicated.

	Year Ended December 31,						
	2021		2022		2023		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Research and development expenses	297,360	30.3	326,513	35.8	222,538	31,344	34.7
Selling and marketing expenses	300,043	30.5	265,304	29.1	227,543	32,049	35.5
General and administrative expenses	385,498	39.2	319,217	35.1	191,113	26,918	29.8
Total	**982,901**	**100.0**	**911,034**	**100.0**	**641,194**	**90,311**	**100.0**

Research and development expenses

Our research and development expenses were RMB297.4 million, RMB326.5 million and RMB222.5 million (US$31.3 million) in 2021, 2022 and 2023, respectively, primarily representing (1) compensation paid to our research and development staff and (2) technology service expenses paid to outsourcing service providers for the development of certain non-core features and functions in cloud-based UC&C solutions.

Selling and marketing expenses

Our selling and marketing expenses were RMB300.0 million, RMB265.3 million and RMB227.5 million (US$32.0 million) in 2021, 2022 and 2023, respectively, primarily representing (1) compensation paid to our sales and marketing staff, (2) our spending on online advertisement and other online promotional events to reach more customers, and (3) participation and organization of offline events to boost our brand image.

General and administrative expenses

Our general and administrative expenses were RMB385.5 million, RMB319.2 million and RMB191.1 million (US$26.9 million) in 2021, 2022 and 2023, respectively, primarily representing (1) compensation paid to our administrative staff and management team, including share-based compensation expenses, (2) professional services fees, rentals and certain administrative expenses, and (3) provision for doubtful accounts.

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the years indicated, both in absolute amount and as a percentage of our revenues. You should read this information together with our consolidated financial statements and related notes included elsewhere in this annual report. The results of operations in any period are not necessarily indicative of the results that may be expected for any future periods.

	Year Ended December 31,						
	2021		2022		2023		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Revenues	752,688	100.0	593,634	100.0	571,024	80,427	100.0
Cost of revenues	(480,755)	(63.9)	(367,334)	(61.9)	(366,375)	(51,603)	(64.2)
Gross profit	**271,933**	**36.1**	**226,300**	**38.1**	**204,649**	**28,824**	**35.8**
Operating expenses:							
Selling and marketing expenses	(300,043)	(39.9)	(265,304)	(44.7)	(227,543)	(32,049)	(39.8)
General and administrative expenses	(385,498)	(51.2)	(319,217)	(53.8)	(191,113)	(26,918)	(33.5)
Impairment loss of goodwill	(149,092)	(19.8)	(107,407)	(18.1)	—	—	—
Impairment loss of intangible assets	(136)	(0.0)	(28,011)	(4.7)	—	—	—
Provision for U.S Class Action	—	—	(83,575.0)	(14.1)	—	—	—
Other operating expenses	(51,354)	(6.8)	(70,417)	(11.9)	—	—	—
Research and development expenses	(297,360)	(39.5)	(326,513)	(55.0)	(222,538)	(31,344)	(39.0)
Total operating expenses	**(1,183,483)**	**(157.2)**	**(1,200,444)**	**(202.2)**	**(641,194)**	**(90,311)**	**(112.3)**
Operating loss	**(911,550)**	**(121.1)**	**(974,144)**	**(164.1)**	**(436,545)**	**(61,487)**	**(76.4)**
Interest expenses	(366)	(0.0)	(428)	(0.1)	—	—	(0.0)
Interest income	11,344	1.5	14,627	2.5	26,826	3,778	4.7
Investment income/(loss)	—	—	340	—	563	79	0
Share of losses of equity method investments	(596)	(0)	(1,969)	(0.3)	(1,470)	(207)	(0.3)
Gain from disposal of other equity investments	—	—	5,138	—	—	—	—
Change in fair value of long-term investment	47,247	6.3	—	—	—	—	—
Impairment loss of long-term investments	(6,603)	(1)	(7,400)	(1.2)	(8,011)	(1,128)	(1.4)
Change in fair value of warrant liabilities	(29,011)	(3.9)	—	—	—	—	—
Gain/(loss) from disposal of subsidiaries, net	2,899	0.4	(2,739)	(0.5)	—	—	—
Foreign currency exchange gains/(losses), net	(6,696)	(0.9)	(9,666)	(1.6)	5,699	803	1.0
Loss before income taxes	**(893,332)**	**(118.7)**	**(976,241)**	**(164.4)**	**(412,938)**	**(58,162)**	**(72.3)**
Income tax (expense)/benefit	(11,120)	(1.5)	342	0.1	564	79	0.1
Net loss	**(904,452)**	**(120.2)**	**(975,899)**	**(164.4)**	**(412,374)**	**(58,083)**	**(72.2)**

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

Revenues

Our revenues decreased by 3.8% from RMB593.6 million in 2022 to RMB571.0 million (US$80.4 million) in 2023, primarily due to the following.

- Revenues from our CPaaS solutions remained relatively stable at RMB192.2 million and RMB195.4 million (US$27.5 million) in 2022 and 2023, respectively, primarily due to a 14.4% increase in revenues generated from our text messaging services from RMB119.4 million in 2022 to RMB136.7 million (US$19.2 million) in 2023, which was primarily due to business recovery from the impact of COVID-19 pandemic, partially offset by a 44.0% decrease in revenues generated from our jointly-operated CPaaS services from RMB27.6 million in 2022 to RMB15.4 million (US$2.2 million) in 2023 because we terminated the cooperation with respect to one of the communications service platforms jointly operated with mobile network operators.

- Revenues from our cloud-based CC solutions decreased by 17.3% from RMB310.8 million in 2022 to RMB257.0 million (US$36.2 million) in 2023. Our recurring revenues decreased by 4.6% from RMB187.7 million in 2022 to RMB179.0 million (US$25.2 million) in 2023, primarily due to the decreased demands from our customers. Our project-based revenues decreased by 36.7% from RMB123.1 million in 2022 to RMB77.9 million (US$11.0 million) in 2023, primarily due to the decreased average project value in 2023.

- Revenues from our cloud-based UC&C solutions increased by 31.6% from RMB89.4 million in 2022 to RMB117.6 million (US$16.6 million) in 2023, primarily due to projects delayed during the COVID-19 pandemic in 2021 and 2022 being delivered and revenues being recognized in 2023.

Cost of revenues

Our cost of revenues remained relatively stable at RMB367.3 million in 2022 and RMB366.4 million (US$51.6 million) in 2023, primarily due to the following.

- Cost of revenues from our CPaaS solutions increased by 11.6% from RMB139.4million in 2022 to RMB155.6 million (US$21.9 million) in 2023, primarily due to a 14.8% increase in costs related to text messaging from RMB112.0 million in 2022 to RMB128.6 million (US$18.1 million) in 2023, generally in line with the increased revenues from our text messaging services. Our costs related to text messaging are affected by the number of texts sent by our customers and the unit price charged by the major mobile network operators in China.

- Cost of revenues from our cloud-based CC solutions decreased by 22.3% from RMB166.1 million in 2022 to RMB129.1 million (US$18.2 million) in 2023, primarily due to (1) a 39.3% decrease in cost of revenues from our project-based cloud-based CC solutions from RMB70.9 million in 2022 to RMB43.0 million (US$6.1 million) in 2023 mainly due to the decreased business scale and the decreased outsourcing costs for certain projects that we undertook, and (2) a 9.6% decrease in cost of revenues from our subscription-based cloud-based CC solutions from RMB95.3 million in 2022 to RMB86.1 million (US$12.1 million) in 2023 mainly due to the decreased business scale and the decrease in the number of minutes of voice calls that we facilitated through our solutions.

- Cost of revenues from our cloud-based UC&C solutions increased by 32.5% from RMB60.9 million in 2022 to RMB80.7 million (US$11.4 million) in 2023, primarily due to the increased business scale.

Gross profit

As a result of the foregoing, our gross profit decreased by 9.6% from RMB226.3 million in 2022 to RMB204.6 million (US$28.8 million) in 2023. Our gross profit margin decreased from 38.1% in 2022 to 35.8% in 2023, primarily due to a lower proportion of revenues generated from our cloud-based CC solutions, which typically have higher profit margins as compared to CPaaS solutions.

Operating expenses

- Research and development expenses. Our research and development expenses decreased by 31.8% from RMB326.5 million in 2022 to RMB222.5 million (US$31.3 million) in 2023, primarily due to (1) a 35.4% decrease in the R&D staff expenses of RMB97.9 million (US$13.8 million), mainly due to decreases in the headcount of and the compensation level for our R&D personnel, (2) a 24.4% decrease in the technology service expenses of RMB6.8 million (US$1.0 million) as our solutions grew mature, and (3) a 39.3% decrease in lease expenses of RMB5.5 million (US$0.8 million), which was in line with the reduced R&D headcount, partially offset by an increase in the share-based compensation expenses from negative RMB6.0 million in 2022 to RMB1.7 million (US$0.2 million) in 2023, mainly due to the departure of certain R&D staff in 2022.

- Selling and marketing expenses. Our selling and marketing expenses decreased by 14.2% from RMB265.3 million in 2022 to RMB227.5 (US$32.0 million) in 2023, primarily due to (1) a 14.8% decrease in staff expenses of RMB27.5 million (US$3.9 million), mainly due to decreases in the headcount of and the compensation level for our sales and marketing personnel, and (2) a 18.6% decrease in spending on advertising campaigns and marketing activities of RMB9.8 million (US$1.4 million), mainly due to our expenses control measures.

- General and administrative expenses. Our general and administrative expenses decreased by 40.1% from RMB319.2 million in 2022 to RMB191.1 million (US$26.9 million) in 2023, primarily due to (1) an 85.1% decrease in share-based compensation expenses of RMB96.6 million (US$13.6 million), mainly due to a decrease in amortized expenses as the options vested, and (2) a 24.5% decrease in staff expenses of RMB20.9 million (US$2.9 million) , mainly due to decreases in the headcount of and the compensation level for our management and administrative personnel, partially offset by a 29.3% increase in the service fees paid to third parties of RMB15.9 million (US$2.2 million).

- Impairment loss of goodwill. We did not record impairment loss of goodwill in 2023, as compared to RMB107.4 million recorded in 2022, primarily because the fair value of reporting unit was less than the carrying amount as of December 31, 2022.

- Other operating expenses. We did not record operating expenses in 2023, as compared to RMB70.4 million recorded in 2022, primarily because we expensed the prepayments in 2022 as we expected that there was a possibility that such amounts might not be fully recovered in the future.

Operating loss

As a result of the foregoing, our operating loss decreased by 55.2% from RMB974.1 million in 2022 to RMB436.5 million (US$61.5 million) in 2023.

Other income and expenses

- Interest expenses. Our interest expenses decreased from RMB0.4 million in 2022 to nil in 2023, as we had no borrowings in 2023.

- Interest income. Our interest income increased by 83.4% from RMB14.6 million in 2022 to RMB26.8 million (US$3.8 million) in 2023, primarily due to the increases in average deposits and interest rate.

- Investment income. Our investment income increased by 65.6% from RMB0.3 million in 2022 to RMB0.6 million (US$79,000), primarily due to the increased realized gain related to short-term investments.

- Share of losses of equity method investments. Our share of losses of equity method investments decreased by 25.3% from RMB2.0 million in 2022 to RMB1.5 million (US$0.2 million) in 2023, primarily due to the decreased losses incurred by an equity investee that we invested in.

- Gain from disposal of long-term investments. We recorded gain from disposal of long-term investments of nil in 2023 as we had no such disposal in the same year, as compared to RMB5.1 million in 2022.

- Impairment loss of long-term investments. We incurred impairment loss of long-term investments of RMB8.0 million (US$1.1 million) in 2023, as compared to RMB7.4 million in 2022, primarily due to a non-temporary impairment of the long-term investments.

- Gain from disposal of subsidiaries, net. We recorded gain from disposal of subsidiaries of nil in 2023 as we had no such disposal in the same year, as compared to gain from disposal of subsidiaries of RMB2.7 million in 2022.

- Foreign currency exchange gains/(losses), net. We recorded foreign currency exchange gains of RMB5.7 million (US$0.8 million) in 2023, as compared to foreign currency exchange loss of RMB9.7 million in 2022, primarily due to fluctuations in exchange rate between U.S. dollars and Renminbi.

Income tax (expense)/benefit

We recorded income tax benefit of RMB0.3 million and RMB0.6 million (US$79,000) in 2022 and 2023, respectively.

Net loss

As a result of the foregoing, our net loss decreased by 57.7% from RMB975.9 million in 2022 to RMB412.4 million (US$58.1 million) in 2023.

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

Revenues

Our revenues decreased by 21.1% from RMB752.7 million in 2021 to RMB593.6 million in 2022, primarily due to the following.

- Revenues from our CPaaS solutions decreased by 44.9% from RMB348.9 million in 2021 to RMB192.2 million in in 2022, primarily due to (1) a 49.4% decrease in revenues generated from our text messaging services from RMB235.8 million in 2021 to RMB119.4 million in 2022, (2) a 54.4% decrease in revenues generated from our voice call services from RMB56.9 million in 2021 to RMB 26.0 million in 2022, and (3) a 56.5% decrease in revenues generated from our IoT services from RMB30.5 million in 2021 to RMB 13.3 million in 2022, all of which were due to our strategic adjustment of business and the impact of local outbreaks of COVID-19.

- Revenues from our cloud-based CC solutions increased by 12.5% from RMB276.1 million in 2021 to RMB310.8 million in 2022. Our recurring revenues increased by 0.5% from RMB186.7 million in 2021 to RMB187.7 million in 2022, primarily because we acquired Zhuge in December 2021 and devoted more resources to our cloud-based CC solutions, which contributed to our business growth, partially offset by decreased usage of certain enterprise customers as they were affected by the continued impact from COVID-19 outbreak. Our project-based revenues increased by 37.6% from RMB89.4 million in 2021 to RMB123.1 million in 2022, primarily due to an increase in the number of projects as a result of our business expansion.

- Revenues from our cloud-based UC&C solutions decreased by 28.7% from RMB125.4 million in 2021 to RMB89.4 million in 2022, primarily due to the impact of local outbreaks of COVID-19 on our business development and project delivery.

Cost of revenues

Our cost of revenues decreased by 23.6% from RMB480.8 million in 2021 to and RMB367.3 million in 2022, respectively, primarily due to the following.

- Cost of revenues from our CPaaS solutions decreased by 48.5% from RMB270.4 million in 2021 to RMB139.4 in 2022, primarily due to (1) a 49.4% decrease in costs related to text messaging from RMB221.1 million in 2021 to RMB112.0 million in 2022, and (2) a 46.2% decrease in costs related to voice call services from RMB44.9 million in 2021 to RMB24.1 million in 2022, both of which were mainly due to the decreased usages of text messages and voice calls.

- Cost of revenues from our cloud-based CC solutions increased by 22.0% from RMB136.2 million in 2021 to RMB166.1 million in 2022, primarily due to (1) a 49.7% increase in cost of revenues from our project-based cloud-based CC solutions from RMB47.3 million in 2021 to RMB70.9 million in 2022 primarily as a result of increased business scale, and (2) 7.2% increase in cost of revenues from our subscription-based cloud-based CC solutions from RMB88.8 million in 2021 to RMB95.3 million in 2022 primarily as a result of increased business scale, to which our acquisition of Zhuge also contributed.

- Cost of revenues from our cloud-based UC&C solutions decreased by 16.9% from RMB73.3 million in 2021 to RMB60.9 million in 2022, primarily due to the decrease in the number of projects delivered.

Gross profit

As a result of the foregoing, our gross profit decreased by 16.5% from RMB271.9 million in 2021 to RMB226.3 million in 2022. Our gross profit margin increased from 36.1% in 2021 to 38.1% in 2022, primarily due to a greater portion of revenues generated from our cloud-based CC solutions, which typically have higher profit margins as compared to CPaaS solutions.

Operating expenses

- Research and development expenses. Our research and development expenses increased by 9.8% from RMB297.4 million in 2021 to RMB326.5 million in 2022, primarily due to (1) a 29.7% increase in the R&D staff expenses of RMB63.3 million as we recruited highly regarded experts in the second half of 2021 to develop core features and functions for our cloud-based CC solutions and cloud-based UC&C solutions, (2) a 28.4% increase in the lease expenses of RMB3.1 million, which was in line with the increased number of R&D staff, partially offset by (i) a significant decrease in the share-based compensation expenses of RMB24.5 million due to the departure of certain R&D staff in the second half of 2022, and (ii) a 35.0% decrease in the technology service expenses paid to the outsourcing service providers of RMB15.1 million as an increased proportion of our R&D activities was carried out by our enlarged in-house R&D team.

- Selling and marketing expenses. Our selling and marketing expenses decreased by 11.6% from RMB300.0 million in 2021 to RMB265.3 in 2022, primarily due to (1) a 26.8% decrease in spending on advertising campaigns and marketing activities of RMB19.3 million as a result of the impact of local outbreaks of COVID-19, (2) a 97.6% decrease in share-based compensation expenses of RMB20.6 million due to the departure of certain sales and marketing staff in the second half of 2022, partially offset by a 4.2% increase in staff expenses of RMB7.5 million due to the increase in the number of highly compensated employees as we recruited more talents in the second half of 2021 to achieve business growth.

- General and administrative expenses. Our general and administrative expenses decreased by 17.2% from RMB385.5 million in 2021 to RMB319.2 million in 2022, primarily due to a 52.2% decrease in share-based compensation expenses of RMB123.9 million due to the departure of certain general and administrative staff in the second half of 2022, partially offset by (i) a significant increase in the service fees paid to third parties of RMB37.4 million, and (ii) a 31.2% increase in staff expenses of RMB20.3 million primarily due to the increase in the number of highly compensated employees as we recruited more talents in the second half of 2021 to improve our administrative efficiency.

- Impairment loss of goodwill. We recorded impairment loss of goodwill of RMB107.4 million in 2022, as compared to RMB149.1 million in 2021, primarily due to the fair value of reporting unit is less than the carrying amount.

- Other operating expenses. We recorded other operating expenses of RMB70.4 million in 2022, as compared to RMB51.4 million in 2021, primarily because we expensed the prepayments as we concluded that there is a possibility that such amounts may not be fully recovered in the future according to the conservatism principle of accounting.

Operating loss

As a result of the foregoing, our operating loss increased from RMB911.6 million in 2021 to RMB974.1 million in 2022.

Other income and expenses

- Interest expenses. Our interest expenses increased by 16.9% from RMB0.4 million in 2021 to RMB0.4 million in 2022, primarily due to an increase in average borrowings.

- Interest income. Our interest income increased by 28.9% from RMB11.3 million in 2021 to RMB14.6 million in 2022, primarily due to an increase in average deposit interest rate.
- Investment income. We recorded investment income of RMB0.3 million in 2022, as compared to nil in 2021, primarily relating to our short-term investments.

- Share of losses of equity method investments. Our share of losses of equity method investments increased significantly from RMB0.6 million in 2021 to RMB2.0 million in 2022, primarily due to the losses incurred by an equity investee we invested in in December 2021.
- Gain from disposal of long-term investments. We recorded gain from disposal of long-term investments of RMB5.1 million in 2022, as compared to nil in 2021, primarily as we disposed of our interests in an equity investee.
- Impairment loss of long-term investments. We incurred impairment loss of long-term investments of RMB7.4 million in 2022, as compared to RMB6.6 million in 2021, primarily due to a non-temporary impairment of long-term investments.
- Change in fair value of long-term investments. We recorded change in fair value of long-term investments of nil in 2022, as compared to RMB47.2 million in 2021, primarily due to the fair value change of our other equity investments with an observable price in 2021.
- Change in fair value of warrant liabilities. We recorded change in fair value of warrant liabilities of nil in 2022, as compared to RMB29.0 million in 2021, primarily due to the fair value change of Series C warrant, Series E warrant and Series F warrant, which was exercised in March 2021, November 2020, and January 2021, respectively.
- Gain/(loss) from disposal of subsidiaries, net. We recorded loss from disposal of subsidiaries of RMB2.7 million in 2022, as compared to gain from disposal of subsidiaries of RMB2.9 million in 2021.
- Foreign currency exchange gains/(losses), net. We recorded foreign currency exchange losses of RMB9.7 million in 2022, as compared to foreign currency exchange loss of RMB6.7 million in 2021, primarily due to fluctuations in exchange rate between U.S. dollars and Renminbi.

Income tax benefit/(expense)

We incurred income tax expense of RMB11.1 million and income tax benefit of RMB0.3 million in 2021 and 2022, respectively.

Net loss

As a result of the foregoing, our net loss increased by 7.9% from RMB904.5 million in 2021 to RMB975.9 million in 2022.

B. Liquidity and Capital Resources

In 2021, 2022 and 2023, we incurred net loss of RMB904.5 million, RMB975.9 million and RMB412.4 million (US$58.1 million), and our net cash used in operating activities was RMB238.1 million, RMB567.3 million and RMB516.2 million (US$72.7 million) in the same years, respectively. In 2021, cash flow from financing activities, such as cash generated from issuance of preferred shares and long-term borrowings, and proceeds from our initial public offering, have been our principal sources of liquidity. In 2022 and 2023, we recorded cash used in financing activities of RMB52.8 million and nil, respectively. In 2021, net cash provided by financing activities amounted to RMB2,444.7 million. In 2022 and 2023, net cash used in financing activities was RMB52.8 million and nil, respectively. We recorded net cash used in investing activities of RMB1,814.6 million in 2021. In 2022 and 2023, net cash provided by investing activities was RMB351.6 million and RMB351.3 million (US$49.5 million), respectively.

Based upon service type and our assessment of customers' credit and ongoing relationships, our payment terms typically range from 60 to 180 days after our customers have been billed. Days sales outstanding, calculated by gross accounts receivable outstanding as of the year end divided by revenues for the year and multiplied by the number of days in such year, were 105 days, 132 days and 156 days for 2021, 2022 and 2023, respectively. Our days sales outstanding increased from 132 days in 2022 to 156 days in 2023, primarily because we extended payment cycles for large customers to maintain stable customer relationship. Our days sales outstanding increased from 105 days in 2021 to 132 days in 2022, primarily due to the extended payment cycles caused by the local outbreaks of COVID-19. We will closely monitor our outstanding accounts receivable and follow up with relevant customers on a continuous basis in order to collect overdue balances.

In February 2016, Ronglian Yitong entered into a two-year credit facility with SPD Silicon Valley Bank, or SPD, to borrow up to RMB40.0 million. In December 2017, the credit line was decreased from RMB40.0 million to RMB20.0 million, and Ronglian Yitong entered into another one-year credit facility with SPD to borrow up to RMB20.0 million. In December 2018, Ronglian Yitong entered into an additional two-year credit facility with SPD to borrow up to RMB40.0 million to support our working capital. These facilities were pledged by accounts receivable - third parties of Ronglian Yitong. As of December 31, 2019, accounts receivable - third parties and other receivables of Ronglian Yitong of RMB124.3 million, RMB8.5 million, respectively, were restricted as they were served as pledged securities to such bank borrowings under these credit facilities. The secured bank loans matured and were paid off in full in December 2020 and the accounts receivable - third parties and other receivables of Ronglian Yitong were released from pledge in the meantime. In June 2020, Beijing Ronglian Guanghui Technology Co., Ltd., Ronglian Qimo, and Beijing Ronglian Huitong Technology Information Co., Ltd., all of which are the affiliated entities in China, entered into a one-year credit facility with Bank of Beijing to borrow up to RMB3.0 million, RMB4.0 million and RMB3.0 million, respectively. In August 2020, Ronglian Yitong obtained unsecured short-term bank borrowings in the amount of RMB10.0 million from Bank of Beijing. Such bank borrowings from Bank of Beijing were paid off in full in 2021. In December 2021, we obtained secured bank loans of RMB5.5 million (US$0.9 million) from the business acquisition of Zhuge, which were secured by the founder of Zhuge. As of December 31, 2023, we did not have short-term bank borrowings.

As of December 31, 2023, 78.3% of our cash and cash equivalents were held in China, and 34.9% were held by the VIE and denominated in Renminbi. Although we consolidate the results of the affiliated entities, we do not have direct access to the cash and cash equivalents or future earnings of the affiliated entities. However, a portion of the cash balances of the affiliated entities will be paid to us pursuant to our contractual arrangements with the affiliated entities. For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Holding Company Structure."

We believe that our existing cash and cash equivalents and anticipated cash flows from operating and financing activities will be sufficient to meet our anticipated working capital requirements, and capital expenditures in the ordinary course of business for the next 12 months. We may, however, require additional cash resources due to changing business conditions or other future developments, including acquisitions or investments we may decide to selectively pursue. If our existing cash resources are insufficient to meet our requirements, we may seek to issue equity or debt securities or obtain credit facilities. The issue of additional equity securities would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. If we are unable to obtain additional equity or debt financing as required, our business operations and prospects may suffer. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We may need additional capital, and we may be unable to obtain such capital in a timely manner or on acceptable terms, or at all."

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

	Year Ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US$
	(in thousands)			
Net cash used in operating activities	(238,079)	(567,270)	(516,202)	(72,707)
Net cash (used in)/provided by investing activities	(1,814,560)	351,628	351,294	49,479
Net cash provided by/(used in) financing activities	2,444,749	(52,765)	—	—
Effect of foreign currency exchange rate changes on cash	(36,235)	138,795	20,092	2,831
Net increase/(decrease) in cash and restricted cash	355,875	(129,612)	(144,816)	(20,397)
Cash and restricted cash at the beginning of the year	301,002	656,877	527,265	74,264
Cash and restricted cash at the end of the year	656,877	527,265	382,449	53,867

Operating activities

Net cash used in operating activities was RMB516.2 million (US$72.7 million) in 2023, primarily due to net loss of RMB412.4 million (US$58.1 million), adjusted primarily by (1) non-cash items including share-based compensation of RMB22.2 million (US$3.1 million), allowance for doubtful accounts RMB16.5 million (US$2.3 million), depreciation of property and equipment and amortization of intangible assets of RMB8.8 million (US$1.2 million), impairment loss of long-term investments of RMB8.0 million (US$1.1 million), (2) changes in working capital that negatively affected operating cash flow, including a decrease in accrued expenses and other current liabilities of RMB118.2 million (US$16.6 million) primarily relating to payment for U.S class action, a decrease in accounts payable of RMB34.4 million (US$4.8 million) primarily due to the increase of payment to mobile network operators for telecommunications resources, and an increase in accounts receivable from third parties, net of RMB28.1 million (US$4.0 million) primarily due to the decrease in customer collections, and (3) changes in working capital that positively affected operating cash flow, including a decrease in contract assets of RMB26.7 million (US$3.8 million) primarily as such amounts were reclassified into accounts receivable following our issuance of invoices.

Net cash used in operating activities was RMB567.3 million in 2022, primarily due to net loss of RMB975.9 million, adjusted primarily by (1) non-cash items including share-based compensation of RMB107.5 million, impairment loss of goodwill of RMB107.4 million, provision for U.S class action of RMB83.6 million, impairment loss of intangible asset of RMB28.0 million and allowance for doubtful accounts of RMB25.6 million, (2) changes in working capital that negatively affected operating cash flow, including an increase in contract assets of RMB31.4 million, an increase in operating lease right-of-use assets of RMB25.2 million primarily as we adopted new accounting policies for operating leases in January 2022 and recognized right-of-use assets and lease liabilities based on the present value of the lease payments over the lease term, and a decrease in accounts payable of RMB24.6 million primarily due to the decrease in advances to mobile network operators for telecommunications resources, which was in line with the decrease in our CPaaS business, and (3) changes in working capital that positively affected operating cash flow, including an increase in contract liabilities of RMB61.9 million primarily as a result of the increase in cash received from customers, and an decrease in prepayments and other current assets of RMB27.6 million.

Net cash used in operating activities was RMB238.1 million in 2021, primarily due to net loss of RMB904.5 million, adjusted primarily by (1) non-cash items including share-based compensation of RMB277.6 million, impairment of goodwill of RMB149.1 million, change in fair value of long-term investments of RMB47.2 million, and change in fair value of warrant liabilities of RMB29.0 million, (2) changes in working capital that negatively affected operating cash flow, including an increase in prepayments and other current assets of RMB15.5 million primarily in relation to advances to mobile network operators for telecommunications resources, and (3) changes in working capital that positively affected operating cash flow, including an increase in contract liabilities of RMB95.0 million primarily as a result of the increase in cash received from customers, an increase in accrued expenses and other current liabilities of RMB59.3 million primarily relating to the fee recoupment by the depositary bank and receipt of individual option exercise payments, a decrease in accounts receivable from third parties of RMB34.3 million primarily due to the increase in collections from customers, and an increase in accounts payable of RMB28.2 million.

Investing activities

Net cash provided by investing activities was RMB351.3 million (US$49.5 million) in 2023, primarily due to cash received from maturity of term deposits of RMB1,308.9 million (US$184.4 million) and cash received from sale of short-term investments of RMB24.7 million (US$3.5 million), partially offset by cash paid for term deposits of RMB938.5 million (US$132.2 million) and cash paid for purchase of short-term investments of RMB28.2 million (US$4.0 million).

Net cash provided by investing activities was RMB351.6 million in 2022, primarily due to cash received from maturity of term deposits of RMB5,040.3 million, cash received from disposal of long-term investments of RMB65.0 million and cash received from sale of short-term investments of RMB64.8 million, partially offset by cash paid for term deposits of RMB4,345.9 million and cash paid for purchase of short-term investments of RMB349.4 million.

Net cash used in investing activities was RMB1,814.6 million in 2021, primarily due to cash paid for term deposits of RMB3,375.9 million, cash paid for business combination of RMB203.1 million, cash paid for purchase of short-term investments of RMB127.5 million, cash paid for purchase of equity method investments of RMB21.9 million and cash paid for purchase of other equity investments of RMB20.0 million, partially offset by cash received from maturity of term deposits of RMB1,926.4 million and cash received from consolidation of subsidiaries of RMB10.9 million.

Financing activities

We did not incur net cash used in or provided by financing activities in 2023, primarily because we possessed sufficient cash and did not engage in any financing activity in 2023.

Net cash used in financing activities was RMB52.8 million in 2022, primarily due to repurchase of treasury stock of RMB39.3 million, repayment of long-term borrowings of RMB8.0 million, and repayment for short-term bank borrowings of RMB5.5 million.

Net cash used in financing activities was RMB2,444.7 million in 2021, primarily due to proceeds from our initial public offering of RMB2,195.8 million, subscription amounts received for Series C and E redeemable convertible preferred shares of RMB336.2 million and proceeds from the exercise of Series F warrant of RMB219.7 million, partially offset by the payables to a shareholder of the VIE of RMB230.1 million and repurchase of treasury shares of RMB68.9 million.

Capital Expenditures

Our capital expenditures are incurred primarily in connection with purchase of property and equipment such as computer, software and office equipment and purchase of intangible assets including software copyrights and telecommunication business licenses. Our capital expenditures were RMB8.7 million, RMB6.8 million and RMB1.8 million (US$0.2 million) in 2021, 2022 and 2023, respectively. We intend to fund our future capital expenditures with our existing cash balance.

Holding Company Structure

We conduct our operations primarily through our subsidiaries and the affiliated entities in China. As a result, our ability to pay dividends depends upon dividends paid by our subsidiaries and fees paid by the affiliated entities. If our subsidiaries or any newly formed subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us.

In addition, our subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with the Accounting Standards for Business Enterprise as promulgated by the MOF, or PRC GAAP. Under PRC law, each of our PRC subsidiaries and the affiliated entities is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory surplus reserve until such reserve reaches 50% of its registered capital. In addition, our subsidiaries in China may allocate a portion of their after-tax profits based on PRC GAAP to enterprise expansion funds as well as staff bonus and welfare funds at its discretion, and the affiliated entities may allocate a portion of their after-tax profits based on PRC GAAP to a discretionary surplus fund at their discretion. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the statutory reserve funds are not distributable as cash dividends.

As an offshore holding company, we are permitted under PRC laws and regulations to provide funding from the proceeds of our offshore fundraising activities to our PRC subsidiaries only through loans or capital contributions, and to the affiliated entities only through loans, in each case subject to the satisfaction of the applicable government registration and approval requirements. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may affect our ability to capitalize or otherwise fund our PRC operations." As a result, there is uncertainty with respect to our ability to provide prompt financial support to our PRC subsidiaries and the affiliated entities in China when needed.

Financial Information Related to the VIE

The following tables present the consolidating schedule of financial information relating to Cloopen Group Holding Limited, or the Parent, consolidated affiliated entities and non-VIE consolidated entities as of and for the years ended December 31, 2021, 2022 and 2023.

Selected consolidated statements of comprehensive loss data

	Year ended December 31, 2021				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Total revenues	—	639,139	156,521	(42,972)	752,688
Cost of revenues	—	(427,786)	(72,085)	19,116	(480,755)
Gross profit	—	211,353	84,436	(23,856)	271,933
Operating expenses	(280,773)	(819,753)	(122,756)	39,799	(1,183,483)
Operating loss	(280,773)	(608,400)	(38,320)	15,943	(911,550)
Loss before income taxes	(280,773)	(692,550)	(12,371)	92,363	(893,331)
Net loss	(280,773)	(699,152)	(16,905)	92,379	(904,451)

	Year ended December 31, 2022				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Total revenues	—	636,320	52,911	(95,597)	593,634
Cost of revenues	—	(324,465)	(137,686)	94,817	(367,334)
Gross profit	—	311,855	(84,775)	(780)	226,300
Operating expenses	(238,074)	(860,969)	(109,776)	8,375	(1,200,444)
Operating loss	(238,074)	(549,114)	(194,551)	7,595	(974,144)
Loss before income taxes	(238,074)	(548,206)	(194,782)	4,821	(976,241)
Net loss	(238,074)	(544,042)	(198,605)	4,822	(975,899)

	Year ended December 31, 2023				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
			(RMB in thousands)		
Total revenues	—	553,910	45,600	(28,486)	571,024
Cost of revenues	—	(346,257)	(49,906)	29,788	(366,375)
Gross profit	—	207,653	(4,306)	1,302	204,649
Operating expenses	(89,953)	(439,508)	(92,566)	(19,167)	(641,194)
Operating loss	(89,953)	(231,855)	(96,872)	(17,865)	(436,545)
Loss before income taxes	(89,953)	(233,465)	(103,841)	14,321	(412,938)
Net loss	(89,953)	(232,856)	(103,885)	14,320	(412,374)

Selected consolidated balance sheets data

	As of December 31, 2021				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
			(RMB in thousands)		
Total current assets	1,512,815	776,119	2,287,193	(1,865,062)	2,711,065
Total non-current assets	850,554	312,531	1,350	(849,261)	315,174
Total assets	2,363,369	1,088,650	2,288,543	(2,714,323)	3,026,239
Total current liabilities	57,033	1,977,013	1,215,603	(2,548,902)	700,747
Total non-current liabilities	—	14,883	2,004	3,334	20,221
Total liabilities	57,033	1,991,896	1,217,607	(2,545,568)	720,968
Total shareholders' deficit attributable to Cloopen Group Holding Limited	2,306,336	(902,181)	1,070,936	(168,755)	2,306,336
Non-controlling interests	—	(1,065)	—	—	(1,065)
Total liabilities and shareholders' equity	2,363,369	1,088,650	2,288,543	(2,714,323)	3,026,239

	As of December 31, 2022				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Total current assets	840,910	562,507	2,919,641	(2,175,169)	2,147,889
Total non-current assets	857,362	526,143	419,966	(1,638,269)	165,202
Total assets	1,698,272	1,088,650	3,339,607	(3,813,438)	2,313,091
Total current liabilities	135,054	2,558,058	(488,308)	(1,460,298)	744,506
Total non-current liabilities	—	6,262	2,381	—	8,643
Total liabilities	135,054	2,564,320	(485,927)	(1,460,298)	753,149
Total shareholders' deficit attributable to Cloopen Group Holding Limited	1,563,218	1,091,926	1,261,214	(2,353,140)	1,563,218
Non-controlling interests	—	(3,276)	—	—	(3,276)
Total liabilities and shareholders' equity	1,698,272	1,088,650	3,339,607	(3,813,438)	2,313,091

	As of December 31, 2023				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Total current assets	145,207	509,400	1,142,659	(163,853)	1,633,413
Total non-current assets	1,108,131	213,207	2,264,779	(3,435,442)	150,675
Total assets	1,253,338	722,607	3,407,438	(3,599,295)	1,784,088
Total current liabilities	52,372	2,728,417	22,400	(2,217,187)	586,002
Total non-current liabilities	—	2,799	249	—	3,048
Total liabilities	52,372	2,731,216	22,649	(2,217,187)	589,050
Total mezzanine equity	—	—	—	—	—
Total shareholders' deficit attributable to Cloopen Group Holding Limited	1,200,966	728,535	653,573	(1,382,108)	1,200,966
Non-controlling interests	—	(5,928)	—	—	(5,928)
Total liabilities, mezzanine equity and shareholders' deficit	1,253,338	722,607	3,407,438	(3,599,295)	1,784,088

Selected consolidated statements of cash flows data

	Year ended December 31, 2021				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Net cash used in operating activities	(13,099)	(174,049)	(644,927)	593,998	(238,077)
Net cash used in investing activities	(1,397,584)	(275,719)	(267,779)	126,520	(1,814,562)
Net cash provided by financing activities	2,685,674	579,690	1,371,923	(2,192,537)	2,444,750

	Year ended December 31, 2022				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Net cash used in operating activities	(290,137)	(574,227)	(215,296)	512,390	(567,270)
Net cash provided by investing activities	(335,194)	26,940	(15,224)	675,106	351,628
Net cash provided by financing activities	(47,474)	437,759	148,688	(591,738)	(52,765)

	Year ended December 31, 2023				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Net cash used in operating activities	(133,979)	(184,395)	(197,828)	—	(516,202)
Net cash used in investing activities	(569,407)	(6,700)	(860,399)	1,787,800	351,294
Net cash provided by financing activities	—	218,926	1,568,874	(1,787,800)	—

Off-Balance Sheet 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.

Commitments

The following table sets forth our contractual obligations as of December 31, 2023.

	Total		Year Ending December 31,	
			2024	2025 and thereafter
	RMB	US$	RMB	RMB
	(in thousands)			
Purchase commitments*	6,559	924	5,703	856

* Relates to purchase of software and equipment. The purchase commitments are contracted but not yet reflected in the consolidated financial statements as of December 31, 2023.

Save as disclosed above, we did not have any significant capital or other commitments, long term obligations or guarantees as of December 31, 2023.

C. Research and Development, Patents and Licenses, etc.

See "Item 4. Information on the Company—B. Business Overview—Research and Development" and "Item 4. Information on the Company—B. Business Overview—Intellectual Property."

D. Trend Information

Other than as disclosed in this annual report, we are not aware of any trend, uncertainty, demand, commitment or event for the year of 2023 that are reasonably likely to have a material adverse effect on our revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial condition.

E. Critical Accounting Estimates

We prepared the consolidated financial statements in accordance with U.S. GAAP. When reviewing our financial statements, you should consider our selection of critical accounting policies, our judgments and other uncertainties affecting our applications of those policies and the sensitivity of reported results to changes of such policies, judgments and uncertainties. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements. You should read the following descriptions of critical accounting policies, judgments and estimates in conjunction with our consolidated financial statements and other disclosures included in this annual report.

Revenue recognition

We account for our revenue contracts in accordance with ASC Topic 606, Revenue from Contracts with Customers (ASC 606). According to ASC 606, revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. We determine revenue recognition through the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

We generate substantially all of our revenues from the following services and products:

1) CPaaS, which allows customers to send text messages and place voice calls using our cloud-based platform;

2) Cloud-based CC, with which customers can operate their virtual contact centers and access related value-added services using our cloud-based platform; and

3) Cloud-based UC&C, where we create customized communications software on customers' private clouds to meet their specific needs and deliver the software licenses to customers.

We recognize revenue upon the transfer of control of promised products or services provided to our customers, in the amount of consideration we expect to receive for those products or services (excluding sales taxes collected on behalf of government authorities). Our revenue contracts generally do not include a right of return in relation to the delivered products or services.

The timing of revenue recognition may differ from the timing of invoicing to our customers. We record a contract asset when revenue is recognized prior to invoicing, and a contract liability when payment is received from a customer in advance of revenue recognition. We generally issue invoices based on contract terms, which may be when the services are completed, upon customer acceptance of our deliverables or at preset milestones. Payments are due with standard payment terms which are generally not more than 90 days from invoice issuance.

CPaaS revenues

We account for revenue from customers' usage of text message and voice call services on our CPaaS platform as two separate performance obligations. Our service fees are determined by applying the contractual unit price to the monthly usage volume of text messages sent or minutes of voice calls placed and a contractual monthly fixed charge per subscriber multiplied by the number of subscribers recorded by our CPaaS platform where relevant. The cloud-based services to send text messages and place voice calls are sold separately to customers with observable standalone selling prices.

We also provide services as an agent in provision of CPaaS platforms to customers. We have identified one performance obligation and recognized the revenues, on a monthly basis, at the amount equal to the difference between the amount charged to the customers and the amount charged by telecommunication operators.

The service contracts are generally with a length between three and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide the customer with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant us or customers a unilateral right to terminate the contracts before completion.

Cloud-based CC revenues

Customers subscribe to our basic cloud-based CC services at a fixed monthly fee and pay for other value-added services on a usage basis. We recognize the monthly service fees ratably over the contract period during which we are obligated to grant customers continuous access to those basic cloud-based CC services. Revenue for other value-added services on top of the basic subscription is determined by applying the contractual unit price to the monthly usage volume and recognized when the related services are provided to customers. The basic subscription is sold to customers at the same price with or without the value-added services, so the transaction price is allocated on the basis of observable stand-alone selling prices.

The service contracts are generally with a length between three and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide customers with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant us or customers a unilateral right to terminate the contracts before completion.

We also offer customized cloud-based CC solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. We have identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized CC license and other highly interdependent and interrelated services, and have accounted for the promise as one combined performance obligation. We apply an iterative process to design, test and implement the software in customers' IT environment and recognizes revenue for this performance obligation over a period of time during which the control of the customized cloud-based CC solution is progressively transferred to the customers. We use an input method to estimate progress, based on the proportion of the labor hours incurred relative to the estimated total labor hours. We also offer standard or non-complex cloud-based CC solutions to customers, and have identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. Our cloud-based CC contracts generally include a standard assurance-type warranty.

Cloud-based UC&C revenues

We offer customized cloud-based UC&C solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. We have identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized UC&C license and other highly interdependent and interrelated services, and have accounted for the promise as one combined performance obligation. We apply an iterative process to design, test and implement the software in customers' IT environment and recognize revenue for this performance obligation over a period of time during which the control of the customized UC&C solution is progressively transferred to the customers. We use an input method to estimate progress, based on the proportion of the labor hours incurred relative to the estimated total labor hours. We also offer standard or non-complex cloud-based UC&C solutions to customers, and have identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. Our cloud-based UC&C contracts generally include a standard assurance-type warranty.

Share-based compensation

Share-based awards granted to the founders and employees in the form of restricted shares are measured at the grant date fair value of the awards, and are recognized as compensation expense using the graded-vesting schedules over the requisite service period for each separately vesting portion (or tranche) of the award. We elect to recognize the effect of forfeitures in compensation cost when they occur. To the extent the required vesting conditions are not met resulting in the forfeiture of the share-based awards, previously recognized compensation expense relating to those awards is reversed.

Share-based compensation in relation to the restricted ordinary shares is measured based on the fair value of our ordinary shares at the award grant date, which is estimated using the income approach and equity allocation method. Estimating the fair value of our ordinary shares involves significant assumptions that might not be observable in the market, and a number of complex and subjective variables, discount rate, risk-free interest rate and subjective judgments regarding our projected financial and operating results, our unique business risks, the liquidity of our ordinary shares and our operating history and prospects at the time of the grant. Share-based compensation in relation to the share options is estimated using the binomial option pricing model. The determination of the fair value of share options is affected by the price of our ordinary shares as well as the assumptions regarding a number of complex and subjective variables, including the expected share price volatility, risk-free interest rate, exercise multiple and expected dividend yield. The fair value of these awards was determined by our management with the assistance from a valuation report prepared by an independent valuation firm using our management's estimates and assumptions.

In January 2017, we adopted the 2016 Plan. Under the 2016 Plan, we granted 5,355,499, nil and nil share options to our directors, officers and employees for 2021, 2022 and 2023, respectively. In January 2021, we adopted the 2021 Plan, under which restricted share units to purchase 10,674,879 Class A ordinary shares have been granted as of the date of this annual report, excluding those repurchased. See "Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plans" for more information in respect of the key terms of the 2016 Plan and the 2021 Plan and the outstanding options granted under such plans as of the date of this annual report. Further, in connection with the acquisition of EliteCRM in March 2021, we issued 2,411,177 Class A ordinary shares in the form of restricted shares as equity awards to certain management members of EliteCRM. In addition, in connection with the acquisition of Zhuge in December 2021, we issued 468,455 Class A ordinary shares in the form of restricted shares as equity awards to certain management members of Zhuge (excluding those repurchased pursuant to performance target adjustments). These restricted shares were issued under a private placement pursuant to an exemption or exclusion from the registration requirements under the Securities Act, subject to certain vesting schedule and forfeiture to the extent any share remains unvested in case of early termination of employment.

The weighted average grant date fair value of the share options granted was US$6.19, nil and nil for 2021, 2022 and 2023, respectively. The fair values of the options granted are estimated on the dates of grant using the binomial option pricing model with the following assumptions used.

	Year Ended December 31, 2021
Risk-free rate of return[1]	0.61%-1.88%
Volatility[2]	48.21%-49.36%
Expected dividend yield[3]	0%
Exercise multiple[4]	2.20
Fair value of underlying ordinary share	US$1.30- US$3.12
Expiration terms[5]	10 years

(1) We estimate risk-free interest rate based on the yield to maturity of U.S. treasury bonds denominated in U.S. dollars for a term consistent with the expected term of our options in effect at the option valuation date.

(2) We estimate expected volatility based on the historical volatility of comparable peer public companies with a time horizon close to the expected term of our options.

(3) Expected dividend yield is zero as we do not anticipate any dividend payments in the foreseeable future.

(4) We estimate the expected exercise multiple as the average ratio of the stock price to the exercise price of when our employees will decide to voluntarily exercise their vested options. As we did not have sufficient information of past employee exercise history, it was estimated by referencing to a widely-accepted academic research publication.

(5) Expiration term is the contract life of the options.

In 2021, 2022 and 2023, we recorded share-based compensation expenses of RMB277.6 million, RMB107.5 million and RMB22.2 million (US$3.1 million) related to our share options, restricted shares, ordinary shares issued to management employees to acquire their equity interests in majority-owned subsidiaries and waiver of subscription receivable due from Mr. Changxun Sun. The following table sets forth the breakdown of our share-based compensation expenses both in absolute amount and as a percentage of total share-based compensation expenses in the years indicated.

	Year Ended December 31,						
	2021		2022		2023		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Cost of revenues	507	0.2	(621)	(0.6)	3.0	0.0	0.0
Research and development expenses	18,564	6.7	(5,953)	(5.5)	1,660.0	234.0	7.5
Selling and marketing expenses	21,150	7.6	510	0.5	3,639.0	513.0	16.4
General and administrative expenses	237,395	85.5	113,526	105.6	16,937.0	2,386.0	76.2
Total	**277,616**	**100.0**	**107,462**	**100.0**	**22,238**	**3,132**	**100.0**

Recent Accounting Pronouncements

For detailed discussion on recent accounting pronouncements, see Note 2(ii) to our consolidated financial statements included elsewhere in this annual report.

Taxation

Cayman Islands

We are incorporated in the Cayman Islands. The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution, brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, our Hong Kong subsidiary is subject to Hong Kong Special Administrative Region profits tax at the rate of 16.5% on its taxable income generated from the operations in Hong Kong. Payments of dividends by the Hong Kong subsidiary to the Company is not subject to withholding tax in Hong Kong. A two-tiered profits tax rates regime was introduced in 2018 where the first HK$2.0 million of assessable profits earned by a company will be taxed at half of the current tax rate at 8.25%, whilst the remaining profits will continue to be taxed at 16.5%. There is an anti-fragmentation measure where each group will have to nominate only one company in the group to benefit from the progressive rates. No provision for Hong Kong profits tax has been made in the financial statements as the subsidiary in Hong Kong has no assessable profits for the years ended December 31, 2021, 2022 and 2023.

Japan

Our Japan subsidiary, Cloopen Japan Co., Ltd., is subject to Japanese corporation tax (including national corporation tax, local enterprise tax and other income-based taxes) on its worldwide income. The statutory effective tax rate is approximately 30% to 34%, depending on the size of the company.

Dividends paid by a Japanese company are generally subject to Japanese withholding tax. If the Japanese company paying dividends is a non-listed company and the payee is a non-resident of Japan, the rate of such withholding tax is 20.42% under Japanese tax law. We enjoy preferential withholding tax rate of 10% under Japan-China tax treaty.

PRC

Our PRC subsidiaries and affiliated entities are subject to the EIT Law and are taxed at the statutory income tax rate of 25%, unless otherwise specified. Certain of the affiliated entities were recognized as HNTEs and were entitled to a preferential enterprise income tax rate of 15%. The HNTE status is subject to annual evaluation and a requirement that relevant entities re-apply for HNTE status every three years.

Our PRC subsidiaries and affiliated entities are subject to value added tax, or VAT. Revenues from providing cloud communication services and communication devices sales are generally subject to VAT at the rate of 6% and 13% since April 1, 2019, or 6% and 16% between May 1, 2018 and April 1, 2019, or 6% and 17% before May 1, 2018, and subsequently paid to PRC tax authorities after netting input VAT on purchases. The excess of output VAT over input VAT is reflected in accrued expenses and other current liabilities, and the excess of input VAT over output VAT is reflected in prepayments and other current assets in the consolidated balance sheets.

The EIT law imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise, or FIE, to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where we are incorporated, does not have such tax treaty with China. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% if the immediate holding company in Hong Kong owns directly at least 25% of the shares of the FIE and could be recognized as a beneficial owner of the dividend from PRC tax perspective. We did not record any dividend withholding tax, as our PRC subsidiaries and affiliated entities have no retained earnings in any of the periods presented.

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose "*de facto* management body" is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law define the location of the "*de facto* management body" as "the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, property, etc., of a non-PRC enterprise is located." Based on a review of surrounding facts and circumstances, we believe that our operations outside the PRC will unlikely be considered a "resident enterprise" for PRC tax purposes. If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the EIT Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or the ADSs holders."

[OMITTED]

A2. ADDITIONAL DISCLOSURES IN THE ANNUAL REPORT OF CLOOPEN FOR THE YEAR ENDED DECEMBER 31, 2023 THAT MEET THE REQUIREMENTS IN PARAGRAPH 32 OF APPENDIX D2 TO THE LISTING RULES

Hedging in relation to foreign currency risks

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited, and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by relevant exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

Employees

As of December 31, 2023, we had a total of 1,214 employees. The following table sets forth the breakdown of our employees as of December 31, 2023 by function.

Function	Number of Employees	% of Total
Research and development	122	10.0
Sales and marketing	329	27.1
Project execution	375	30.9
General administration	388	32.0
Total	1,214	100.0

We believe we offer our employees competitive compensation packages and a dynamic work environment that encourages initiative and is based on merit. As a result, we have generally been able to attract and retain qualified personnel and maintain a stable core management team.

We believe that we maintain a good working relationship with our employees, and we have not experienced any major labor disputes. None of our employees is represented by labor unions.

B1. OPERATING AND FINANCIAL REVIEW AND PROSPECTS OF THE CLOOPEN GROUP FOR THE YEAR ENDED DECEMBER 31, 2024

[OMITTED]

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our results of operations and financial condition together with the consolidated financial statements and related notes included elsewhere in this annual report. This discussion contains forward-looking statements based upon current plans, expectations and beliefs that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the section of this annual report captioned "Item 3. Key Information—D. Risk Factors" and in other parts of this annual report. Our fiscal year ends on December 31.

A. Operating Results

Overview

We are a leading multi-capability cloud-based communications solution provider in China offering a full suite of cloud-based communications solutions, covering CPaaS, cloud-based CC and cloud-based UC&C. We serve a diverse and loyal customer base consisting of enterprises of all sizes across a variety of industries, including internet, telecommunications, financial services, industrial manufacturing and energy.

We generate our revenues primarily from our CPaaS, cloud-based CC and cloud-based UC&C solutions. We generally charge our customers using our CPaaS solutions on a recurring basis, based on the monthly number of text messages and call minutes facilitated. We charge our customers using our cloud-based CC solutions deployed on public cloud on a recurring basis, with a combination of seat subscription fees and related resource usage fees. We generally charge our customers using our cloud-based CC solution deployed on private cloud and cloud-based UC&C solutions on a project basis. We plan to promote solutions that we offer on a recurring basis to lower customer acquisition costs, which we expect would favorably contribute to our profit margins.

As of December 31, 2022, 2023 and 2024, we had an active customer base of 9,980, 8,703 and 7,529 enterprises, respectively, among which 118, 121 and 114 were large-enterprise customers, respectively. In 2022, 2023 and 2024, the dollar-based net customer retention rate in relation to solutions we offer on a recurring basis was 61.7%, 85.8% and 74.6% respectively, and the dollar-based net customer retention rate for active customers was 64.5%, 89.0% and 77.4% respectively. We served 229, 279 and 337 customers for our project-based solutions in 2022, 2023 and 2024, respectively. Our revenues decreased by 3.8% from RMB593.6 million in 2022 to RMB571.0 million in 2023, and increased by 0.4% to RMB573.6 million (US$78.6 million) in 2024, of which 64.0%, 65.6% and 59.2% were recurring revenues in the same years, respectively. In 2022, 2023 and 2024, we incurred net loss of RMB975.9 million, RMB412.4 million and RMB146.8 million (US$20.1 million), respectively, and our adjusted EBITDA was RMB563.4 million, RMB405.5 million, and RMB225.4 million (US$30.9 million), respectively. See "—Non-GAAP Financial Measures" for information on how we define and calculate the non-GAAP financial measures as well as a reconciliation of non-GAAP adjusted EBITDA to net loss.

Factors Affecting Our Results of Operations

Our business and results of operations are affected by China's overall economic conditions and structural transformations, especially the development of telecommunications industry and cloud-based communications industry, as well as the following industry- and company-specific factors.

Capturing market opportunity

Our ability to capture market opportunity is critical to our growth prospects. Compared to more developed regions such as the North America and Western Europe, enterprises in China are still in the early stages of adopting cloud-based technologies, which presents significant growth opportunity. The maturity level of China's network and related infrastructure for cloud computing also provides a solid foundation for rapid adoption of cloud technologies in China.

In addition, China's communications industry is highly fragmented, consisting primarily of many local players. The software-based nature and scalability of cloud-based communications solutions are well-suited to allow easy deployment across different geographical locations and industries. We focus on applying cloud-based technologies to enterprise communications, leveraging our established partnerships with multiple regional mobile network operators. Equipped with such established business relationships as well as our solutions and proprietary technologies in AI and video communications, we believe we are well-positioned to capture the significant market opportunity to consolidate China's cloud-based communications industry. Meanwhile, in order to achieve a larger market share, we will need to devote more managerial attention and financial and other resources to address the potential challenges faced by a rapidly growing business in an evolving industry.

Improving customer acquisition, retention and lifetime value

Our results of operations are highly dependent on the total number and the lifetime value of our customers. We have cultivated a large and diverse customer base of enterprises of all sizes and various industries, including internet, telecommunications, financial services, industrial manufacturing and energy. As of December 31, 2022, 2023 and 2024, we had an active customer base of 9,980, 8,703 and 7,529 enterprises, respectively, among which 118, 121 and 114 were large-enterprise customers, respectively. To retain and grow our customer base, we need to predict future market acceptance and customer demand and continue to invest in sales and marketing to penetrate into more industry verticals and second- and lower-tier cities and further promote our brand image and recognition in China's cloud-based communications industry. We also plan to expand our cross-selling and up-selling efforts to existing customers.

Introducing new features and solutions

To capitalize on the opportunities from the fast-evolving communications needs of China's enterprises of all sizes, we believe it is critical to continuously develop and introduce new features and solutions that optimize communication efficiency and efficacy and enhance operational productivity. We believe our capabilities of developing and offering a comprehensive portfolio of industry-specific solutions that satisfy disparate needs and complex internal integration and deployment requirements contribute to the success of our business operations. We must continue to invest in research and development with a focus on AI and video technologies and incorporate these technologies to develop more innovative features and solutions. We will also need to enhance the interaction of product development and sales activities and actively seek and analyze customer feedback in order to design new features and solutions catering to customer demands.

Optimizing product offering mix

Our ability to manage our product offering mix affects our results of operations, especially our overall profit margin. For example, our cloud-based CC and cloud-based UC&C solutions typically carry higher gross profit margins, as these solutions are more technologically advanced and, therefore, give us greater pricing power. To improve our overall profit margin and achieve higher financial scalability, we will need to continue to shift our focus toward offering solutions with higher profit margins. We also plan to selectively promote solutions that we offer on a recurring basis to lower customer acquisition costs, which we expect would favorably contribute to our profit margins. In addition, we need to serve more customers in targeted industries to lower the incremental industry customization costs and to achieve greater economies of scale and higher profit margins from the industries we more broadly serve.

Controlling costs and expenses

One of the largest costs we incur during our business operations, particularly for our CPaaS solutions and cloud-based CC solutions that we offer on a recurring basis, is service fees paid for telecommunications resources. In 2022, 2023 and 2024, costs paid for telecommunications resources represented 51.6%, 55.0% and 52.0% of our total cost of revenues, respectively. Mobile network operators in China typically adjust the unit prices for resources, such as text messages and voice calls, once every several years based on government recommendations. A sudden adjustment by major mobile network operators would likely negatively affect our results of operations in current contract periods because we may not be able to pass on the impact to our customers as a result of fixed unit resource price throughout the current contract periods. On the other hand, we are generally able to pass on the impact from such unit price adjustment to customers relatively quickly due to our relatively short contract periods, which enable us to adjust our resource usage fees from time to time. Additionally, we may also benefit from the increase in the unit resource price in the long term because such price increase could eliminate weaker market players and strengthen our market leadership position.

In addition, staff costs and expenses incurred to attract and retain a team of talented staff is a major component of our overall costs and expenses. While we strive to optimize our compensation and incentive structure, we remain mindful that investment in human resources plays a significant role in maintaining our competitive position. As a significant portion of our overall costs and expenses, our ability to control our staff costs and expenses without compromising our competitiveness is critical to our results of operations.

Managing development cycle

Our ability to manage the overall development cycle of our project-based solutions affects our revenues and profit margin in specific periods. We generally incur a significant amount of upfront investment and costs in developing new solutions and serving customers in new industries to meet their complex communications needs, implementation requirements and industry-specific customizations. We have also historically undertaken smaller projects with lower profit margins to enter into the markets for project-based solutions, such as for our cloud-based UC&C solutions. These initial development costs and investments may increase our costs and expenses and decrease our overall profit margins in certain periods. We are generally able to replicate our initial solution development and achieve economies of scale quickly after we deliver our industry-specific projects to more customers within the same industry or build upon our existing projects to develop similar solutions for more customers from other industries. As we continue to standardize our industry-specific solutions for more customers in diverse industries, we expect to manage the upfront investment at reasonable level and optimize our development cycle.

Strategic investment and acquisitions

We have made, and intend to continue to make, strategic acquisitions to solidify our current market presence and expand into new industries. For example, in March 2021, we acquired all the equity interests of EliteCRM, a leading customer relationship management software provider, and in December 2021, we acquired all the equity interests of Zhuge, a user-centric intelligent data solution provider. We intend to selectively pursue strategic alliances and investments to further strengthen our competitiveness. We expect to evaluate and execute alliance, investment and acquisition opportunities that complement and scale up our business, optimize our profitability, help us expand into adjacent industries and add new capabilities to our cloud-based solutions. Our strategic alliances, investments and acquisitions would likely impact our business, results of operations and financial condition.

Seasonality

Our business is subject to seasonal fluctuations. We believe that our quarterly sales are affected by industry buying patterns. Our customers, especially large enterprises, tend to enter into contracts with us in the second half of each year in accordance with their budget cycles. As such, we generally record higher revenues during such periods. In addition, we typically generate lower revenues in the first quarter during or around Chinese New Year holiday. Changes in seasonal trends may cause fluctuations in our results of operations and financial condition.

Key Operating Metrics

	As of/For the Year Ended December 31,		
	2022	2023	2024
Number of active customers	9,980	8,703	7,529
Number of large-enterprise customers	118	121	114
Percentage of revenue contribution by large-enterprise customers	65.0%	67.0%	68.7%
Dollar-based net customer retention rate	61.7%	85.8%	74.6%

* The operating metrics of EliteCRM and Zhuge are included in the operating metrics as of/for the year ended December 31, 2022, 2023, and 2024, except that the dollar-based net customer retention rate does not include the operating results of Zhuge in 2022 due to the lack of data for calculation in 2021 because Zhuge was acquired in December 2021.

Our dollar-based net customer retention rate increased from 61.7% in 2022 to 85.8% in 2023, primarily due to an increase in the business demand for text messaging services from our financial institution customers. Our dollar-based net customer retention rate decreased to 74.6% in 2024, primarily because of the decline in the PaaS business retention rate, resulting from the replacement of certain SMS channel clients for consideration of pricing. In 2022, 2023 and 2024, our dollar-based net customer retention rate for active customers was 64.5%, 89.0% and 77.4% respectively.

We expect that, as the applicable regulatory framework becomes more established and China's economy recovers from the COVID-19 pandemic, and as we continuously optimize our existing solutions and develop new features and solutions, our dollar-based net customer retention rate will remain stable at a relatively high level.

Non-GAAP Financial Measures

To supplement our consolidated financial statements which are presented in accordance with U.S. GAAP, we also use non-GAAP net loss and adjusted EBITDA as additional non-GAAP financial measures. We present the non-GAAP financial measures because they are used by our management to evaluate our operating performance. We also believe that the non-GAAP financial measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

We define non-GAAP net loss as net loss excluding share-based compensation, (gains)/losses from disposal of subsidiaries, net, gains from disposal of long-term investments, impairment loss of long-term investments, impairment loss of intangible assets, impairment loss of goodwill, provision for U.S class action, and other operating (income)/expenses. We define adjusted EBITDA as net loss excluding depreciation and amortization, interest expenses, net, income tax benefit, share-based compensation, investment income, impairment loss of long-term investments, impairment loss of intangible assets, impairment loss of goodwill, provision for U.S class action, other operating (income)/expenses, (gains)/losses from disposal of subsidiaries, net, gains from disposal of long-term investments, share of (gains)/losses of equity method investments, and foreign currency exchange (gains)/losses, net. We believe that non-GAAP financial measures provide useful information to investors and others in understanding and evaluating our operating results. The non-GAAP financial measures adjust for the impact of items that we do not consider indicative of the operational performance of our business and should not be considered in isolation or construed as an alternative to net loss or any other measure of performance or as an indicator of our operating performance. Investors are encouraged to compare the historical non-GAAP financial measures with the most directly comparable GAAP measures. The non-GAAP financial measures presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

The following table sets forth a reconciliation of our non-GAAP financial measures to net loss for the years indicated.

	Year Ended December 31,			
	2022	2023	2024	
	RMB	RMB	RMB	US$
		(in thousands)		
Net loss	**(975,899)**	**(412,374)**	**(146,827)**	**(20,115)**
Add:				
Share-based compensation	107,462	22,239	14,305	1,960
(Gains)/losses from disposal of subsidiaries, net	2,739	—	(403)	(55)
Gains from disposal of long-term investments	(5,138)	—	—	—
Impairment loss of long-term investments	7,400	8,011	—	—
Impairment loss of intangible assets	28,011	—	—	—
Impairment loss of goodwill	107,407	—	—	—
Provision for U.S class action	83,575	—	—	—
Other operating (income)/expenses	70,417	—	(49,530)	(6,786)
Non-GAAP net loss	**(574,026)**	**(382,124)**	**(182,455)**	**(24,996)**
Net loss	**(975,899)**	**(412,374)**	**(146,827)**	**(20,115)**
Add:				
Depreciation and amortization	13,893	8,775	7,634	1,046
Interest expenses, net	(14,199)	(26,826)	(42,151)	(5,775)
Income tax benefit	(342)	(564)	(316)	(43)
EBITDA:	**(976,547)**	**(430,989)**	**(181,660)**	**(24,887)**
Adjust:				
Share-based compensation	107,462	22,239	14,305	1,960
Investment income	(340)	(563)	(11,859)	(1,625)
Impairment loss of long-term investments	7,400	8,011	—	—
Impairment loss of intangible assets	28,011	—	—	—
Impairment loss of goodwill	107,407	—	—	—
Provision for U.S class action	83,575	—	—	—
Other operating (income)/expenses	70,417	—	(49,530)	(6,786)
(Gains)/losses from disposal of subsidiaries, net	2,739	—	(403)	(55)
Gains from disposal of long-term investments	(5,138)	—	—	—
Share of (gains)/losses of equity method investments	1,969	1,470	(3)	—
Foreign currency exchange (gains)/losses, net	9,666	(5,699)	3,717	509
Adjusted EBITDA	**(563,379)**	**(405,431)**	**(225,433)**	**(30,884)**

Key Components of Our Results of Operations

Revenues

We generate revenue primarily from the sales of our CPaaS, cloud-based CC and cloud-based UC&C solutions. In 2022, 2023 and 2024, our revenues were RMB593.6 million, RMB571.0 million and RMB573.6 million (US$78.6 million), respectively. The following table sets forth the breakdown of our total revenues both in absolute amount and as a percentage of total revenues in the years indicated.

	Year Ended December 31,						
	2022		2023		2024		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
CPaaS							
Text messaging	119,416	20.1	136,654	23.9	132,242	18,117	23.1
Voice calls	25,953	4.4	25,958	4.5	35,706	4,892	6.2
Jointly-operated CPaaS	27,591	4.6	15,439	2.7	—	—	0.0
IoT	13,268	2.2	13,937	2.4	21,440	2,937	3.7
Others	5,936	1.0	3,423	0.6	18	3	0.0
Subtotal	**192,164**	**32.4**	**195,411**	**34.2**	**189,406**	**25,949**	**33.0**
Cloud-based CC							
Recurring[(1)]	187,693	31.6	179,042	31.4	150,165	20,573	26.2
Project	123,072	20.7	77,919	13.6	117,916	16,154	20.6
Subtotal	**310,765**	**52.3**	**256,961**	**45.0**	**268,081**	**36,727**	**46.8**
Cloud-based UC&C	**89,350**	**15.1**	**117,554**	**20.6**	**116,079**	**15,902**	**20.2**
Other services	**1,355**	**0.2**	**1,098**	**0.2**	**—**	**—**	**0.0**
Total revenues	**593,634**	**100.0**	**571,024**	**100.0**	**573,566**	**78,578**	**100.0**

(1) Includes cloud-based CC solutions deployed primarily on public cloud, for which we charge a combination of seat subscription fees and related resource usage fees.

Our revenues from CPaaS solutions primarily include usage-based fees for sending text messages and making voice calls. We generally charge our customers on a recurring basis, based on the monthly number of text messages and call minutes facilitated through our CPaaS solutions. We also assist and support mobile network operators in establishing and operating communications service platforms, and recognize revenues pursuant to the revenue sharing arrangements.

Our revenues from cloud-based CC solutions primarily consist of seat subscription fees and related resource usage fees, and to a lesser extent, software license fees and related service fees. We charge customers using our cloud-based CC solutions deployed on public cloud a combination of seat subscription fees and related resource usage fees that are determined according to the capacity and number of functional modules embedded as well as the number of texts and call minutes facilitated through our solutions. In 2022, 2023 and 2024, solutions that we offer on a recurring basis generated 60.4%, 69.7% and 56.0% of our revenues from cloud-based CC solutions, respectively. We generally charge customers using our solutions deployed on private cloud software license fees and related customized service fees that are negotiated on a project basis and recognize revenues in accordance with the agreed-upon project milestones. The delivery cycle of our project-based cloud-based CC solutions typically ranges from three to 12 months.

Our revenues from cloud-based UC&C solutions primarily consist of software license fees and related services fees from individual projects, and to a lesser extent, service fees relating to maintenance and upgrade services. We negotiate these fees with customers on a project basis and charge them in accordance with the agreed-upon project milestones. The delivery cycle of our project-based cloud-based UC&C solutions typically ranges from three to 12 months. Additionally, we also generate revenues from software development and other technical support service fees charged on a project basis.

Our revenues from other services primarily consist of revenues generated from mobile network operator services and cloud-based value-added services.

Cost of revenues

Our cost of revenues primarily consists of (1) costs paid for telecommunications resources, (2) outsourcing costs, (3) infrastructure and equipment costs, and (4) staff costs related to solution delivery]. In 2022, 2023 and 2024, our cost of revenues was RMB367.3 million, RMB366.4 million and RMB362.7 million (US$49.7 million), respectively. The following table sets forth the breakdown of our cost of revenues by nature both in absolute amount and as a percentage of total cost of revenues in the years indicated.

	Year Ended December 31,						
	2022		2023		2024		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Costs of telecommunications resources	189,376	51.6	201,683	55.0	188,470	25,820	52.0
Outsourcing costs	99,608	27.1	49,264	13.5	67,794	9,288	18.7
Infrastructure and equipment costs	41,656	11.3	40,011	10.9	33,909	4,646	9.3
Staff costs	33,266	9.1	68,459	18.7	71,388	9,780	19.7
Rentals and others	3,428	0.9	6,958	1.9	1,156	158	0.3
Total cost of revenues	**367,334**	**100.0**	**366,375**	**100.0**	**362,717**	**49,692**	**100.0**

Costs of telecommunications resources represent fees we pay to mobile network operators based on the number of texts and minutes of voice calls we subscribed for. We typically enter into annual contracts with mobile network operators which set forth the unit price for each text message and every minute of voice call. In 2022, 2023 and 2024, costs of telecommunications resources represented the largest portion of our cost of revenues, representing 51.6%, 55.0% and 52.0% of our total cost of revenues, respectively. We also outsource certain parts of the solution delivery and incur outsourcing costs. Infrastructure and equipment costs relate to our use of servers and our purchase of hardware and equipment to support our solutions. Staff costs represent compensation paid to employees who primarily deliver solution customization and perform other services to customers. Rentals and others primarily consist of rental costs related to our leases.

The following table sets forth the breakdown of our cost of revenues by service type both in absolute amount and as a percentage of total cost of revenues in the years indicated.

	Year Ended December 31,						
	2022		2023		2024		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
CPaaS							
Text messaging	111,999	30.5	128,564	35.1	121,444	16,597	33.4
Voice calls	24,133	6.6	24,026	6.6	32,827	4,497	9.1
Jointly-operated CPaaS	281	0.1	262	0.1	—	—	—
IoT	—	—	—	—	13,536	1,854	4
Others	2,968	0.8	2,754	0.8	—	—	0.0
Subtotal	**139,381**	**37.9**	**155,606**	**42.6**	**167,507**	**22,948**	**46.2**
Cloud-based CC							
Recurring(1)	95,260	25.9	86,109	23.5	65,422	8,963	18.0
Project	70,851	19.3	42,997	11.7	62,265	8,530	17.2
Subtotal	**166,111**	**45.2**	**129,106**	**35.2**	**127,687**	**17,493**	**35.2**
Cloud-based UC&C	**60,936**	**16.6**	**80,722**	**22.0**	**67,523**	**9,251**	**18.6**
Other services	**906**	**0.2**	**941**	**0.3**	**—**	**—**	**0.0**
Total cost of revenues	**367,334**	**100.0**	**366,375**	**100.1**	**362,717**	**49,692**	**100.0**

(1) Includes cloud-based CC solutions deployed primarily on public cloud, for which we charge a combination of seat subscription fees and related resource usage fees.

Gross profit

Our gross profit was RMB226.3 million, RMB204.6 million and RMB210.8 million (US$28.9 million) in 2022, 2023 and 2024, respectively. Our overall gross profit margin was 38.1%, 35.8% and 36.8% respectively. The following table sets forth a breakdown of our gross profit and gross profit margin.

	Year Ended December 31,						
	2022		2023		2024		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
CPaaS	52,783	27.5	39,805	20.4	21,899	3,001	11.6
Cloud-based CC[(1)]	144,654	46.5	127,855	49.8	140,394	19,234	52.4
Cloud-based UC&C	28,414	31.8	36,832	31.3	48,556	6,651	41.8
Other services	449	33.1	157	14.3	—	—	0.0
Total	**226,300**	**38.1**	**204,649**	**35.8**	**210,849**	**28,886**	**36.8**

(1) The gross profit margin for cloud-based CC solutions that we offer on a recurring basis was 49.2%, 51.9% and 56.4% in 2022, 2023 and 2024, respectively.

The gross profit margin of our CPaaS solutions and cloud-based CC solutions that we offer on a recurring basis is primarily affected by the costs of telecommunications resources we paid to mobile network operators, which represented a majority of the costs for these solutions] in 2022, 2023 and 2024. See "—Factors Affecting our Results of Operations—Controlling costs and expenses" for details of the impacts.

The gross profit margin of our cloud-based CC solutions on a project basis and cloud-based UC&C solutions is affected primarily by the maturity and complexity of a specific project. See "—Factors Affecting our Results of Operations—Managing development cycle" for details of the impacts.

Operating expenses

The following table sets forth our operating expenses, both in absolute amount and as a percentage of our total operating expenses, for the years indicated.

	Year Ended December 31,						
	2022		2023		2024		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Research and development expenses	326,513	35.8	222,538	34.7	177,000	24,249	38.6
Selling and marketing expenses	265,304	29.1	227,543	35.5	187,305	25,661	40.9
General and administrative expenses	319,217	35.1	191,113	29.9	93,916	12,866	20.5
Total	**911,034**	**100.0**	**641,194**	**100.0**	**458,221**	**62,776**	**100.0**

Research and development expenses

Our research and development expenses were RMB326.5 million, RMB222.5 million and RMB177.0 million (US$24.2 million) in 2022, 2023 and 2024, respectively, primarily representing (1) compensation paid to our research and development staff and (2) technology service expenses paid to outsourcing service providers for the development of certain non-core features and functions in cloud-based UC&C solutions.

Selling and marketing expenses

Our selling and marketing expenses were RMB265.3 million, RMB227.5 million and RMB187.3 million (US$25.7 million) in 2022, 2023 and 2024, respectively, primarily representing (1) compensation paid to our sales and marketing staff, (2) our spending on online advertisement and other online promotional events to reach more customers, and (3) participation and organization of offline events to boost our brand image.

General and administrative expenses

Our general and administrative expenses were RMB319.2 million, RMB191.1 million and RMB93.9 million (US$12.9 million) in 2022, 2023 and 2024, respectively, primarily representing (1) compensation paid to our administrative staff and management team, including share-based compensation expenses, (2) professional services fees, rentals and certain administrative expenses, and (3) provision for doubtful accounts.

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the years indicated, both in absolute amount and as a percentage of our revenues. You should read this information together with our consolidated financial statements and related notes included elsewhere in this annual report. The results of operations in any period are not necessarily indicative of the results that may be expected for any future periods.

	Year Ended December 31,						
	2022		2023		2024		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Revenues	593,634	100.0	571,024	100.0	573,566	78,578	100.0
Cost of revenues	(367,334)	(61.9)	(366,375)	(64.2)	(362,717)	(49,692)	(63.2)
Gross profit	**226,300**	**38.1**	**204,649**	**35.8**	**210,849**	**28,886**	**36.8**
Operating expenses:							
Selling and marketing expenses	(265,304)	(44.7)	(227,543)	(39.8)	(187,305)	(25,661)	(32.7)
General and administrative expenses	(319,217)	(53.8)	(191,113)	(33.5)	(93,916)	(12,866)	(16.4)
Impairment loss of goodwill	(107,407)	(18.1)	—	—	—	—	—
Impairment loss of intangible assets	(28,011)	(4.7)	—	—	—	—	—
Provision for U.S Class Action	(83,575)	(14.1)	—	—	—	—	—
Other operating income (expenses)	(70,417)	(11.9)	—	—	49,530	6,786	8.6
Research and development expenses	(326,513)	(55.0)	(222,538)	(39.0)	(177,000)	(24,249)	(30.9)
Total operating expenses	**(1,200,444)**	**(202.2)**	**(641,194)**	**(112.3)**	**(408,691)**	**(55,990)**	**(71.3)**
Operating loss	**(974,144)**	**(164.1)**	**(436,545)**	**(76.4)**	**(197,842)**	**(27,104)**	**(34.5)**
Interest expenses	(428)	(0.1)	—	—	—	—	—
Interest income	14,627	2.5	26,826	4.7	42,151	5,775	7.3
Investment income	340	—	563	0	11,859	1,625	2
Share of gains (losses) of equity method investments	(1,969)	(0)	(1,470)	(0.3)	3	—	—
Gains from disposal of other equity investments	5,138	—	—	—	—	—	—
Impairment loss of long-term investments	(7,400)	(1)	(8,011)	(1.4)	—	—	—
Gains (losses) from disposal of subsidiaries, net	(2,739)	(0.5)	—	—	403	55	0.1
Foreign currency exchange gains (losses), net	(9,666)	(1.6)	5,699	1.0)	(3,717)	(509)	(0.6)
Loss before income taxes	**(976,241)**	**(164.4)**	**(412,938)**	**(72.3)**	**(147,143)**	**(20,158)**	**(25.7)**
Income tax benefit	342	0.1	564	0.1	316	43	0.1
Net loss	**(975,899)**	**(164.4)**	**(412,374)**	**(72.2)**	**(146,827)**	**(20,115)**	**(25.6)**

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenues

Our revenues increased by 0.4% from RMB571.0 million in 2023 to RMB573.6 million (US$78.6 million) in 2024, primarily due to the following.

- Revenues from our CPaaS solutions decreased by 3.1% from RMB195.4 million in 2023 to RMB 189.4 million (US$25.9 million) in 2024, primarily due to a 37.6% increase in revenues generated from our voice calls services from RMB26.0 million in 2023 to RMB35.7 million (US$4.9 million) in 2024, which was primarily due to business recovery from the impact of COVID-19 pandemic, partially offset by a significant decrease in revenues generated from our jointly-operated CPaaS services from RMB15.4 million in 2023 to nil in 2024 because we terminated the cooperation with respect to one of the communications service platforms jointly operated with mobile network operators in 2023.

- Revenues from our cloud-based CC solutions increased by 4.3% from RMB257.0 million in 2023 to RMB268.1 million (US$36.7 million) in 2024. Our recurring revenues decreased by 16.1% from RMB179.0 million in 2023 to RMB150.2 million (US$20.6 million) in 2024, primarily due to the decreased demands from our customers. Our project-based revenues increased by 51.3% from RMB77.9 million in 2023 to RMB117.9 million (US$16.2 million) in 2024, primarily due to an increase in the number of projects as a result of our business expansion.

- Revenues from our cloud-based UC&C solutions decreased by 1.3% from RMB117.6 million in 2023 to RMB116.1 million (US$15.9 million) in 2024, primarily due to the decreased demands from our customers.

Cost of revenues

Our cost of revenues decreased by 1.0% from RMB366.4 million in 2023 to RMB362.7 million (US$49.7 million) in 2024, primarily due to the following.

- Cost of revenues from our CPaaS solutions increased by 7.6% from RMB155.6 million in 2023 to RMB167.5 million (US$22.9 million) in 2024, primarily due to the increase of RMB 13.5 million (US$1.9 million) in costs related to IOT, as the Company start selling IOT devices in 2024, while there was only IOT services in 2023.

- Cost of revenues from our cloud-based CC solutions decreased by 1.1% from RMB129.1 million in 2023 to RMB127.7 million (US$17.5 million) in 2024, primarily due to (1) a 44.8% increase in cost of revenues from our project-based cloud-based CC solutions from RMB43.0 million in 2023 to RMB62.3 million (US$8.5 million) in 2024 mainly due to the increased business scale and the increased outsourcing costs for certain projects that we undertook, and (2) a 24.0% decrease in cost of revenues from our subscription-based cloud-based CC solutions from RMB86.1 million in 2023 to RMB65.4 million (US$9.0 million) in 2024 mainly due to the decreased business scale and the decrease in the number of minutes of voice calls that we facilitated through our solutions.

- Cost of revenues from our cloud-based UC&C solutions decreased by 16.4% from RMB80.7 million in 2023 to RMB67.5 million (US$9.3 million) in 2024, primarily due to the decreased business scale.

Gross profit

As a result of the foregoing, our gross profit increased by 3.0% from RMB204.6 million in 2023 to RMB210.8 million (US$28.9 million) in 2024. Our gross profit margin increased from 35.8% in 2023 to 36.8% in 2024, primarily due to primarily due to a greater portion of revenues generated from our cloud-based CC solutions, which typically have higher profit margins as compared to CPaaS solutions.

Operating expenses

- Research and development expenses. Our research and development expenses decreased by 20.5% from RMB222.5 million in 2023 to RMB177.0 million (US$24.2 million) in 2024, primarily due to (1) a 24.5% decrease in the R&D staff expenses of RMB43.7 million (US$6.0 million), mainly due to decreases in the headcount of and the compensation level for our R&D personnel, and (2) a 32.0% decrease in lease expenses of RMB2.7 million (US$0.4 million), which was in line with the reduced R&D headcount.

- Selling and marketing expenses. Our selling and marketing expenses decreased by 17.7% from RMB227.5 million in 2023 to RMB187.3 million (US$25.7 million) in 2024, primarily due to (1) a 26.2% decrease in staff expenses of RMB41.5 million (US$5.7 million), mainly due to decreases in the headcount of and the compensation level for our sales and marketing personnel, and (2) a 8.7% decrease in spending on advertising campaigns and marketing activities of RMB3.7 million (US$0.5 million), mainly due to our expenses control measures..

- General and administrative expenses. Our general and administrative expenses decreased by 50.9% from RMB191.1 million in 2023 to RMB93.9 million (US$12.9 million) in 2024, primarily due to (1) a 61.4% decrease in the service fees paid to third parties of RMB43.1 million (US$5.9 million), mainly due to the settlement of the Class Action in 2023, (2) a 16.9% decrease in staff expenses of RMB10.9 million (US$1.5 million), mainly due to decreases in the headcount of and the compensation level for our management and administrative personnel, (3) a 79.4% decrease in share-based compensation expenses of RMB13.5 million (US$1.8 million), mainly due to a decrease in amortized expenses as the options vested, and (4) a significant decrease in allowance for doubtful accounts of RMB20.3 million (US$2.8 million).

- Other operating income (expenses). We recorded other operating income of RMB49.5 million (US$6.8 million) in 2024, as compared to nil in 2023, primarily because we ceased the cooperation with some customers and the advances from the customers will not refund in the future according to the suspension agreements.

Operating loss

As a result of the foregoing, our operating loss decreased from RMB436.5 million in 2023 to RMB197.8million (US$27.1 million) in 2024.

Other income and expenses

- Interest income. Our interest income increased by 57.1% from RMB26.8 million in 2023 to RMB 42.2 million (US$5.8 million) in 2024, primarily due to an increase in average deposit interest rate and cash and cash equivalent balance denominated in USD.

- Investment income. We recorded investment income of RMB11.9 million (US$1.6 million) in 2024, as compared to RMB0.6 million in 2023, primarily relating to the increased realized gain related to short-term investments.

- Share of gains (losses) of equity method investments. We recorded share of losses of equity method investments of RMB1.5 million in 2023, and share of gains of equity method investments of RMB3,000 (US$411) in 2024, primarily due to the gains (losses) incurred by an equity investee that we invested in.
- Impairment loss of long-term investments. We incurred impairment loss of long-term investments of nil in 2024, as compared to RMB8.0 million in 2023, primarily due to a non-temporary impairment of the long-term investments in 2023.
- Losses from disposal of subsidiaries, net. We recorded loss from disposal of subsidiaries of RMB0.4 million (US$60,000) in 2024, as compared to nil in 2023, primarily due to we had no disposal in 2023.
- Foreign currency exchange gains (losses), net. We recorded foreign currency exchange losses of RMB3.7 million (US$0.5 million) in 2024, as compared to foreign currency exchange gains of RMB5.7 million in 2023, primarily due to fluctuations in exchange rate between U.S. dollars and Renminbi.

Income tax benefit

We incurred income tax benefit of RMB0.6 million and RMB0.3 million (US$43,000) in 2023 and 2024, respectively.

Net loss

As a result of the foregoing, our net loss decreased by 64.4% from RMB412.4 million in 2023 to RMB146.8 million (US$20.1 million) in 2024.

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

Revenues

Our revenues decreased by 3.8% from RMB593.6 million in 2022 to RMB571.0 million in 2023, primarily due to the following.

- Revenues from our CPaaS solutions remained relatively stable at RMB192.2 million and RMB195.4 million in 2022 and 2023, respectively, primarily due to a 14.4% increase in revenues generated from our text messaging services from RMB119.4 million in 2022 to RMB136.7 million in 2023, which was primarily due to business recovery from the impact of COVID-19 pandemic, partially offset by a 44.0% decrease in revenues generated from our jointly-operated CPaaS services from RMB27.6 million in 2022 to RMB15.4 million in 2023 because we terminated the cooperation with respect to one of the communications service platforms jointly operated with mobile network operators.

- Revenues from our cloud-based CC solutions decreased by 17.3% from RMB310.8 million in 2022 to RMB257.0 million in 2023. Our recurring revenues decreased by 4.6% from RMB187.7 million in 2022 to RMB179.0 million in 2023, primarily due to the decreased demands from our customers. Our project-based revenues decreased by 36.7% from RMB123.1 million in 2022 to RMB77.9 million in 2023, primarily due to the decreased average project value in 2023.

- Revenues from our cloud-based UC&C solutions increased by 31.6% from RMB89.4 million in 2022 to RMB117.6 million in 2023, primarily due to projects delayed during the COVID-19 pandemic in 2022 being delivered and revenues being recognized in 2023.

Cost of revenues

Our cost of revenues remained relatively stable at RMB367.3 million in 2022 and RMB366.4 million (US$51.6 million) in 2023, primarily due to the following.

- Cost of revenues from our CPaaS solutions increased by 11.6% from RMB139.4million in 2022 to RMB155.6 million in 2023, primarily due to a 14.8% increase in costs related to text messaging from RMB112.0 million in 2022 to RMB128.6 million in 2023, generally in line with the increased revenues from our text messaging services. Our costs related to text messaging are affected by the number of texts sent by our customers and the unit price charged by the major mobile network operators in China.

- Cost of revenues from our cloud-based CC solutions decreased by 22.3% from RMB166.1 million in 2022 to RMB129.1 million in 2023, primarily due to (1) a 39.3% decrease in cost of revenues from our project-based cloud-based CC solutions from RMB70.9 million in 2022 to RMB43.0 million in 2023 mainly due to the decreased business scale and the decreased outsourcing costs for certain projects that we undertook, and (2) a 9.6% decrease in cost of revenues from our subscription-based cloud-based CC solutions from RMB95.3 million in 2022 to RMB86.1 million in 2023 mainly due to the decreased business scale and the decrease in the number of minutes of voice calls that we facilitated through our solutions.

- Cost of revenues from our cloud-based UC&C solutions increased by 32.5% from RMB60.9 million in 2022 to RMB80.7 million in 2023, primarily due to the increased business scale.

Gross profit

As a result of the foregoing, our gross profit decreased by 9.6% from RMB226.3 million in 2022 to RMB204.6 million in 2023. Our gross profit margin decreased from 38.1% in 2022 to 35.8% in 2023, primarily due to a lower proportion of revenues generated from our cloud-based CC solutions, which typically have higher profit margins as compared to CPaaS solutions.

Operating expenses

- Research and development expenses. Our research and development expenses decreased by 31.8% from RMB326.5 million in 2022 to RMB222.5 million in 2023, primarily due to (1) a 35.4% decrease in the R&D staff expenses of RMB97.9 million, mainly due to decreases in the headcount of and the compensation level for our R&D personnel, (2) a 24.4% decrease in the technology service expenses of RMB6.8 million as our solutions grew mature, and (3) a 39.3% decrease in lease expenses of RMB5.5 million, which was in line with the reduced R&D headcount, partially offset by an increase in the share-based compensation expenses from negative RMB6.0 million in 2022 to RMB1.7 million in 2023, mainly due to the departure of certain R&D staff in 2022.

- Selling and marketing expenses. Our selling and marketing expenses decreased by 14.2% from RMB265.3 million in 2022 to RMB227.5 in 2023, primarily due to (1) a 14.8% decrease in staff expenses of RMB27.5 million, mainly due to decreases in the headcount of and the compensation level for our sales and marketing personnel, and (2) a 18.6% decrease in spending on advertising campaigns and marketing activities of RMB9.8 million, mainly due to our expenses control measures.

- General and administrative expenses. Our general and administrative expenses decreased by 40.1% from RMB319.2 million in 2022 to RMB191.1 million in 2023, primarily due to (1) an 85.1% decrease in share-based compensation expenses of RMB96.6 million, mainly due to a decrease in amortized expenses as the options vested, and (2) a 24.5% decrease in staff expenses of RMB20.9 million, mainly due to decreases in the headcount of and the compensation level for our management and administrative personnel, partially offset by a 29.3% increase in the service fees paid to third parties of RMB15.9 million.

- Impairment loss of goodwill. We did not record impairment loss of goodwill in 2023, as compared to RMB107.4 million recorded in 2022, primarily because the fair value of reporting unit was less than the carrying amount as of December 31, 2022.

- Other operating expenses. We did not record operating expenses in 2023, as compared to RMB70.4 million recorded in 2022, primarily because we expensed the prepayments in 2022 as we expected that there was a possibility that such amounts might not be fully recovered in the future.

Operating loss

As a result of the foregoing, our operating loss decreased by 55.2% from RMB974.1 million in 2022 to RMB436.5 million in 2023.

Other income and expenses

- Interest expenses. Our interest expenses decreased from RMB0.4 million in 2022 to nil in 2023, as we had no borrowings in 2023.

- Interest income. Our interest income increased by 83.4% from RMB14.6 million in 2022 to RMB26.8 million in 2023, primarily due to the increases in average deposits and interest rate.

- Investment income. Our investment income increased by 65.6% from RMB0.3 million in 2022 to RMB0.6 million, primarily due to the increased realized gain related to short-term investments.

- Share of losses of equity method investments. Our share of losses of equity method investments decreased by 25.3% from RMB2.0 million in 2022 to RMB1.5 million in 2023, primarily due to the decreased losses incurred by an equity investee that we invested in.

- Gains from disposal of long-term investments. We recorded gain from disposal of long-term investments of nil in 2023 as we had no such disposal in the same year, as compared to RMB5.1 million in 2022.

- Impairment loss of long-term investments. We incurred impairment loss of long-term investments of RMB8.0 million in 2023, as compared to RMB7.4 million in 2022, primarily due to a non-temporary impairment of the long-term investments.

- Gains from disposal of subsidiaries, net. We recorded gain from disposal of subsidiaries of nil in 2023 as we had no such disposal in the same year, as compared to gain from disposal of subsidiaries of RMB2.7 million in 2022.

- Foreign currency exchange gains (losses), net. We recorded foreign currency exchange gains of RMB5.7 million in 2023, as compared to foreign currency exchange loss of RMB9.7 million in 2022, primarily due to fluctuations in exchange rate between U.S. dollars and Renminbi.

Income tax benefit

We recorded income tax benefit of RMB0.3 million and RMB0.6 million in 2022 and 2023, respectively.

Net loss

As a result of the foregoing, our net loss decreased by 57.7% from RMB975.9 million in 2022 to RMB412.4 million in 2023.

B. Liquidity and Capital Resources

In 2022, 2023 and 2024, we incurred net loss of RMB975.9 million, RMB412.4 million and RMB146.8 million (US$20.1 million), and our net cash used in operating activities was RMB567.3 million, RMB516.2 million and RMB180.2 million (US$24.7 million) in the same years, respectively. In 2022, 2023 and 2024, we recorded cash used in financing activities of RMB52.8 million, nil and nil, respectively. In 2022, 2023 and 2024, net cash provided by investing activities was RMB351.6 million, RMB351.3 million, and RMB460.2 million (US$63.1 million), respectively.

Based upon service type and our assessment of customers' credit and ongoing relationships, our payment terms typically range from 60 to 180 days after our customers have been billed. Days sales outstanding, calculated by gross accounts receivable outstanding as of the year end divided by revenues for the year and multiplied by the number of days in such year, were 132 days, 156 days and 131 days for 2022, 2023 and 2024, respectively. Our days sales outstanding decreased from 156 days in 2023 to 131 in 2024, primarily because we have strengthened the Company's collection management of accounts receivable. Our days sales outstanding increased from 132 days in 2022 to 156 days in 2023, primarily because we extended payment cycles for large customers to maintain stable customer relationship. We will closely monitor our outstanding accounts receivable and follow up with relevant customers on a continuous basis in order to collect overdue balances.

In December 2021, we obtained secured bank loans of RMB5.5 million (US$0.9 million) from the business acquisition of Zhuge, which were secured by the founder of Zhuge. Such bank borrowings were paid off in full in 2022. As of December 31, 2024, we did not have short-term bank borrowings.

As of December 31, 2024, 65.4% of our cash and cash equivalents were held in China, and 25.7% were held by the VIE and denominated in Renminbi. Although we consolidate the results of the affiliated entities, we do not have direct access to the cash and cash equivalents or future earnings of the affiliated entities. However, a portion of the cash balances of the affiliated entities will be paid to us pursuant to our contractual arrangements with the affiliated entities. For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Holding Company Structure."

We believe that our existing cash and cash equivalents and anticipated cash flows from operating and financing activities will be sufficient to meet our anticipated working capital requirements, and capital expenditures in the ordinary course of business for the next 12 months. We may, however, require additional cash resources due to changing business conditions or other future developments, including acquisitions or investments we may decide to selectively pursue. If our existing cash resources are insufficient to meet our requirements, we may seek to issue equity or debt securities or obtain credit facilities. The issue of additional equity securities would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. If we are unable to obtain additional equity or debt financing as required, our business operations and prospects may suffer. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We may need additional capital, and we may be unable to obtain such capital in a timely manner or on acceptable terms, or at all."

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

	Year Ended December 31,			
	2022	2023	2024	
	RMB	RMB	RMB	US$
	(in thousands)			
Net cash used in operating activities	(567,270)	(516,202)	(180,240)	(24,693)
Net cash provided by investing activities	351,628	351,294	460,228	63,051
Net cash used in financing activities	(52,765)	—	—	—
Effect of foreign currency exchange rate changes on cash	138,795	20,092	(11,922)	(1,633)
Net increase/(decrease) in cash and restricted cash	(129,612)	(144,816)	268,066	36,725
Cash and restricted cash at the beginning of the year	656,877	527,265	382,449	52,395
Cash and restricted cash at the end of the year	527,265	382,449	650,515	89,120

Operating activities

Net cash used in operating activities was RMB180.2 million (US$24.7 million) in 2024, primarily due to net loss of RMB146.8 million (US$20.1 million), adjusted primarily by (1) non-cash items including share-based compensation of RMB14.3 million (US$2.0 million), a decrease of allowance for doubtful accounts RMB3.9 million (US$0.5 million), depreciation of property and equipment and amortization of intangible assets of RMB7.6 million (US$1.0 million), amortization of right-of-use asset and interest on lease liabilities of RMB8.5 million (US$1.2 million), investment income of RMB11.9 million (US$1.6 million), unrealized foreign exchange losses of RMB3.7 million (US$0.5 million), (2) changes in working capital that negatively affected operating cash flow, including a decrease in accrued expenses and other current liabilities of RMB22.5 million (US$3.1 million) primarily due to our timely payments to third parties, a decrease in contract liabilities of RMB57.1 million (US$7.8 million) primarily as a result of the decrease in cash received from customers, and an increase in contract assets of RMB13.0 million (US$1.8 million) primarily due to the increased amounts to issue invoices to our project based on customers, and (3) changes in working capital that positively affected operating cash flow, including an decrease in accounts receivable of RMB38.6 million (US$5.3 million) primarily due our strengthened collection management of accounts receivable, and an increase in accounts payable of RMB7.8 million (US$1.1 million) primarily due to our effectively management of payments to mobile network operators for telecommunications resources.

Net cash used in operating activities was RMB516.2 million in 2023, primarily due to net loss of RMB412.4 million, adjusted primarily by (1) non-cash items including share-based compensation of RMB22.2 million, allowance for doubtful accounts RMB16.5 million, depreciation of property and equipment and amortization of intangible assets of RMB8.8 million, impairment loss of long-term investments of RMB8.0 million, (2) changes in working capital that negatively affected operating cash flow, including a decrease in accrued expenses and other current liabilities of RMB118.2 million primarily relating to payment for U.S class action, a decrease in accounts payable of RMB34.4 million primarily due to the increase of payment to mobile network operators for telecommunications resources, and an increase in accounts receivable from third parties, net of RMB28.1 million primarily due to the decrease in customer collections, and (3) changes in working capital that positively affected operating cash flow, including a decrease in contract assets of RMB26.7 million primarily as such amounts were reclassified into accounts receivable following our issuance of invoices.

Net cash used in operating activities was RMB567.3 million in 2022, primarily due to net loss of RMB975.9 million, adjusted primarily by (1) non-cash items including share-based compensation of RMB107.5 million, impairment loss of goodwill of RMB107.4 million, provision for U.S class action of RMB83.6 million, impairment loss of intangible asset of RMB28.0 million and allowance for doubtful accounts of RMB25.6 million, (2) changes in working capital that negatively affected operating cash flow, including an increase in contract assets of RMB31.4 million, an increase in operating lease right-of-use assets of RMB25.2 million primarily as we adopted new accounting policies for operating leases in January 2022 and recognized right-of-use assets and lease liabilities based on the present value of the lease payments over the lease term, and a decrease in accounts payable of RMB24.6 million primarily due to the decrease in advances to mobile network operators for telecommunications resources, which was in line with the decrease in our CPaaS business, and (3) changes in working capital that positively affected operating cash flow, including an increase in contract liabilities of RMB61.9 million primarily as a result of the increase in cash received from customers, and an decrease in prepayments and other current assets of RMB27.6 million.

Investing activities

Net cash provided by investing activities was RMB460.2 million (US$63.1 million) in 2024, primarily due to cash received from maturity of term deposits of RMB1,571.5 million (US$215.3 million) and cash received from sale of short-term investments of RMB357.8 million (US$49.0 million), partially offset by cash paid for term deposits of RMB1,243.9 million (US$170.4 million) and cash paid for purchase of short-term investments of RMB222.0 million (US$30.4 million).

Net cash provided by investing activities was RMB351.3 million in 2023, primarily due to cash received from maturity of term deposits of RMB1,308.9 million and cash received from sale of short-term investments of RMB24.7 million, partially offset by cash paid for term deposits of RMB938.5 million and cash paid for purchase of short-term investments of RMB28.2 million.

Net cash provided by investing activities was RMB351.6 million in 2022, primarily due to cash received from maturity of term deposits of RMB5,040.3 million, cash received from disposal of long-term investments of RMB65.0 million and cash received from sale of short-term investments of RMB64.8 million, partially offset by cash paid for term deposits of RMB4,345.9 million and cash paid for purchase of short-term investments of RMB349.4 million.

Financing activities

We did not incur net cash used in or provided by financing activities in 2023 and 2024, primarily because we possessed sufficient cash and did not engage in any financing activity in 2023 and 2024.

Net cash used in financing activities was RMB52.8 million in 2022, primarily due to repurchase of treasury stock of RMB39.3 million, repayment of long-term borrowings of RMB8.0 million, and repayment for short-term bank borrowings of RMB5.5 million.

Capital Expenditures

Our capital expenditures are incurred primarily in connection with purchase of property and equipment such as computer, software and office equipment and purchase of intangible assets including software copyrights and telecommunication business licenses. Our capital expenditures were RMB6.8 million, RMB1.8 million, and RMB3.2 million (US$0.4 million) in 2022, 2023 and 2024, respectively. We intend to fund our future capital expenditures with our existing cash balance.

Holding Company Structure

We conduct our operations primarily through our subsidiaries and the affiliated entities in China. As a result, our ability to pay dividends depends upon dividends paid by our subsidiaries and fees paid by the affiliated entities. If our subsidiaries or any newly formed subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us.

In addition, our subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with the Accounting Standards for Business Enterprise as promulgated by the MOF, or PRC GAAP. Under PRC law, each of our PRC subsidiaries and the affiliated entities is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory surplus reserve until such reserve reaches 50% of its registered capital. In addition, our subsidiaries in China may allocate a portion of their after-tax profits based on PRC GAAP to enterprise expansion funds as well as staff bonus and welfare funds at its discretion, and the affiliated entities may allocate a portion of their after-tax profits based on PRC GAAP to a discretionary surplus fund at their discretion. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the statutory reserve funds are not distributable as cash dividends.

As an offshore holding company, we are permitted under PRC laws and regulations to provide funding from the proceeds of our offshore fundraising activities to our PRC subsidiaries only through loans or capital contributions, and to the affiliated entities only through loans, in each case subject to the satisfaction of the applicable government registration and approval requirements. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may affect our ability to capitalize or otherwise fund our PRC operations." As a result, there is uncertainty with respect to our ability to provide prompt financial support to our PRC subsidiaries and the affiliated entities in China when needed.

Financial Information Related to the VIE

The following tables present the consolidating schedule of financial information relating to Cloopen Group Holding Limited, or the Parent, consolidated affiliated entities and non-VIE consolidated entities as of and for the years ended December 31, 2022, 2023 and 2024.

Selected consolidated statements of comprehensive loss data

	Year ended December 31, 2022				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
			(RMB in thousands)		
Total revenues	—	636,320	52,911	(95,597)	593,634
Cost of revenues	—	(324,465)	(137,686)	94,817	(367,334)
Gross profit	—	311,855	(84,775)	(780)	226,300
Operating expenses	(238,074)	(860,969)	(109,776)	8,375	(1,200,444)
Operating loss	(238,074)	(549,114)	(194,551)	7,595	(974,144)
Loss before income taxes	(238,074)	(548,206)	(194,782)	4,821	(976,241)
Net loss	(238,074)	(544,042)	(198,605)	4,822	(975,899)

	Year ended December 31, 2023				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
			(RMB in thousands)		
Total revenues	—	553,910	45,600	(28,486)	571,024
Cost of revenues	—	(346,257)	(49,906)	29,788	(366,375)
Gross profit	—	207,653	(4,306)	1,302	204,649
Operating expenses	(89,953)	(439,508)	(92,566)	(19,167)	(641,194)
Operating loss	(89,953)	(231,855)	(96,872)	(17,865)	(436,545)
Loss before income taxes	(89,953)	(233,465)	(103,841)	14,321	(412,938)
Net loss	(89,953)	(232,856)	(103,885)	14,320	(412,374)

	Year ended December 31, 2024				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
			(RMB in thousands)		
Total revenues	—	563,277	55,685	(45,396)	573,566
Cost of revenues	—	(360,984)	(43,748)	42,015	(362,717)
Gross profit	—	202,293	11,937	(3,381)	210,849
Operating expenses	(32,074)	(222,378)	(103,961)	(50,278)	(408,691)
Operating loss	(32,074)	(20,085)	(92,024)	(53,659)	(197,842)
Loss before income taxes	(32,074)	(33,370)	(89,806)	8,107	(147,143)
Net loss	(32,074)	(33,078)	(89,781)	8,106	(146,827)

Selected consolidated balance sheets data

	As of December 31, 2022				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
			(RMB in thousands)		
Total current assets	840,910	562,507	2,919,641	(2,175,169)	2,147,889
Total non-current assets	857,362	526,143	419,966	(1,638,269)	165,202
Total assets	1,698,272	1,088,650	3,339,607	(3,813,438)	2,313,091
Total current liabilities	135,054	2,558,058	(488,308)	(1,460,298)	744,506
Total non-current liabilities	—	6,262	2,381	—	8,643
Total liabilities	135,054	2,564,320	(485,927)	(1,460,298)	753,149
Total shareholders' equity attributable to Cloopen Group Holding Limited	1,563,218	(1,472,394)	3,825,534	(2,353,140)	1,563,218
Non-controlling interests	—	(3,276)	—	—	(3,276)
Total liabilities and shareholders' equity	1,698,272	1,088,650	3,339,607	(3,813,438)	2,313,091

	As of December 31, 2023				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
			(RMB in thousands)		
Total current assets	145,207	509,400	1,142,659	(163,853)	1,633,413
Total non-current assets	1,108,131	213,207	2,264,779	(3,435,442)	150,675
Total assets	1,253,338	722,607	3,407,438	(3,599,295)	1,784,088
Total current liabilities	52,372	2,728,417	22,400	(2,217,187)	586,002
Total non-current liabilities	—	2,799	249	—	3,048
Total liabilities	52,372	2,731,216	22,649	(2,217,187)	589,050
Total shareholders' equity attributable to Cloopen Group Holding Limited	1,200,966	(2,002,681)	3,384,789	(1,382,108)	1,200,966
Non-controlling interests	—	(5,928)	—	—	(5,928)
Total liabilities and shareholders' equity	1,253,338	722,607	3,407,438	(3,599,295)	1,784,088

	As of December 31, 2024				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
			(RMB in thousands)		
Total current assets	263,126	421,886	805,866	(55,199)	1,435,679
Total non-current assets	993,075	233,663	2,569,349	(3,653,387)	142,700
Total assets	1,256,201	655,549	3,375,215	(3,708,586)	1,578,379
Total current liabilities	181,624	2,655,390	(120,570)	(2,207,841)	508,603
Total non-current liabilities	—	3,173	2,024	—	5,197
Total liabilities	181,624	2,658,563	(118,546)	(2,207,841)	513,800
Total shareholders' equity attributable to Cloopen Group Holding Limited	1,074,577	(1,993,016)	3,493,761	(1,500,745)	1,074,577
Non-controlling interests	—	(9,998)	—	—	(9,998)
Total liabilities and shareholders' equity	1,256,201	655,549	3,375,215	(3,708,586)	1,578,379

Selected consolidated statements of cash flows data

	Year ended December 31, 2022				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
			(RMB in thousands)		
Net cash used in operating activities	(290,137)	(574,227)	(215,296)	512,390	(567,270)
Net cash provided by investing activities	(335,194)	26,940	(15,224)	675,106	351,628
Net cash provided by financing activities	(47,474)	437,759	148,688	(591,738)	(52,765)

	Year ended December 31, 2023				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
			(RMB in thousands)		
Net cash used in operating activities	(133,979)	(184,395)	(197,828)	—	(516,202)
Net cash used in investing activities	(569,407)	(6,700)	(860,399)	1,787,800	351,294
Net cash provided by financing activities	—	218,926	1,568,874	(1,787,800)	—

	Year ended December 31, 2024				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
			(RMB in thousands)		
Net cash used in operating activities	115,285	46,516	(342,041)	—	(180,240)
Net cash used in investing activities	(486)	(3,216)	35,173	428,757	460,228
Net cash provided by financing activities	—	(4,712)	4,712	—	—

Off-Balance Sheet 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.

Commitments

The following table sets forth our contractual obligations as of December 31, 2024.

	Total		Year Ending December 31,		
			2025	2026	2027
	RMB	US$	RMB	RMB	RMB
			(in thousands)		
Purchase commitments*	5,424	743	5,274	90	60

* Relates to purchase of software and equipment. The purchase commitments are contracted but not yet reflected in the consolidated financial statements as of December 31, 2024.

Save as disclosed above, we did not have any significant capital or other commitments, long term obligations or guarantees as of December 31, 2024.

C. Research and Development, Patents and Licenses, etc.

See "Item 4. Information on the Company—B. Business Overview—Research and Development" and "Item 4. Information on the Company—B. Business Overview—Intellectual Property."

D. Trend Information

Other than as disclosed in this annual report, we are not aware of any trend, uncertainty, demand, commitment or event for the year of 2024 that are reasonably likely to have a material adverse effect on our revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial condition.

E. Critical Accounting Estimates

We prepared the consolidated financial statements in accordance with U.S. GAAP. When reviewing our financial statements, you should consider our selection of critical accounting policies, our judgments and other uncertainties affecting our applications of those policies and the sensitivity of reported results to changes of such policies, judgments and uncertainties. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements. You should read the following descriptions of critical accounting policies, judgments and estimates in conjunction with our consolidated financial statements and other disclosures included in this annual report.

Revenue recognition

We account for our revenue contracts in accordance with ASC Topic 606, Revenue from Contracts with Customers (ASC 606). According to ASC 606, revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. We determine revenue recognition through the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

We generate substantially all of our revenues from the following services and products:

1) CPaaS, which allows customers to send text messages and place voice calls using our cloud-based platform;

2) Cloud-based CC, with which customers can operate their virtual contact centers and access related value-added services using our cloud-based platform; and

3) Cloud-based UC&C, where we create customized communications software on customers' private clouds to meet their specific needs and deliver the software licenses to customers.

We recognize revenue upon the transfer of control of promised products or services provided to our customers, in the amount of consideration we expect to receive for those products or services (excluding sales taxes collected on behalf of government authorities). Our revenue contracts generally do not include a right of return in relation to the delivered products or services.

The timing of revenue recognition may differ from the timing of invoicing to our customers. We record a contract asset when revenue is recognized prior to invoicing, and a contract liability when payment is received from a customer in advance of revenue recognition. We generally issue invoices based on contract terms, which may be when the services are completed, upon customer acceptance of our deliverables or at preset milestones. Payments are due with standard payment terms which are generally not more than 90 days from invoice issuance.

CPaaS revenues

We account for revenue from customers' usage of text message and voice call services on our CPaaS platform as two separate performance obligations. Our service fees are determined by applying the contractual unit price to the monthly usage volume of text messages sent or minutes of voice calls placed and a contractual monthly fixed charge per subscriber multiplied by the number of subscribers recorded by our CPaaS platform where relevant. The cloud-based services to send text messages and place voice calls are sold separately to customers with observable standalone selling prices.

We also provide services as an agent in provision of CPaaS platforms to customers. We have identified one performance obligation and recognized the revenues, on a monthly basis, at the amount equal to the difference between the amount charged to the customers and the amount charged by telecommunication operators.

The service contracts are generally with a length between three and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide the customer with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant us or customers a unilateral right to terminate the contracts before completion.

Cloud-based CC revenues

Customers subscribe to our basic cloud-based CC services at a fixed monthly fee and pay for other value-added services on a usage basis. We recognize the monthly service fees ratably over the contract period during which we are obligated to grant customers continuous access to those basic cloud-based CC services. Revenue for other value-added services on top of the basic subscription is determined by applying the contractual unit price to the monthly usage volume and recognized when the related services are provided to customers. The basic subscription is sold to customers at the same price with or without the value-added services, so the transaction price is allocated on the basis of observable stand-alone selling prices.

The service contracts are generally with a length between three and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide customers with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant us or customers a unilateral right to terminate the contracts before completion.

We also offer customized cloud-based CC solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. We have identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized CC license and other highly interdependent and interrelated services, and have accounted for the promise as one combined performance obligation. We apply an iterative process to design, test and implement the software in customers' IT environment and recognizes revenue for this performance obligation over a period of time during which the control of the customized cloud-based CC solution is progressively transferred to the customers. We use an input method to estimate progress, based on the proportion of the labor hours incurred relative to the estimated total labor hours. We also offer standard or non-complex cloud-based CC solutions to customers, and have identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. Our cloud-based CC contracts generally include a standard assurance-type warranty.

Cloud-based UC&C revenues

We offer customized cloud-based UC&C solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. We have identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized UC&C license and other highly interdependent and interrelated services, and have accounted for the promise as one combined performance obligation. We apply an iterative process to design, test and implement the software in customers' IT environment and recognize revenue for this performance obligation over a period of time during which the control of the customized UC&C solution is progressively transferred to the customers. We use an input method to estimate progress, based on the proportion of the labor hours incurred relative to the estimated total labor hours. We also offer standard or non-complex cloud-based UC&C solutions to customers, and have identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. Our cloud-based UC&C contracts generally include a standard assurance-type warranty.

Share-based compensation

Share-based awards granted to the founders and employees in the form of restricted shares are measured at the grant date fair value of the awards, and are recognized as compensation expense using the graded-vesting schedules over the requisite service period for each separately vesting portion (or tranche) of the award. We elect to recognize the effect of forfeitures in compensation cost when they occur. To the extent the required vesting conditions are not met resulting in the forfeiture of the share-based awards, previously recognized compensation expense relating to those awards is reversed.

Share-based compensation in relation to the restricted ordinary shares is measured based on the fair value of our ordinary shares at the award grant date, which is estimated using the income approach and equity allocation method. Estimating the fair value of our ordinary shares involves significant assumptions that might not be observable in the market, and a number of complex and subjective variables, discount rate, risk-free interest rate and subjective judgments regarding our projected financial and operating results, our unique business risks, the liquidity of our ordinary shares and our operating history and prospects at the time of the grant. Share-based compensation in relation to the share options is estimated using the binomial option pricing model. The determination of the fair value of share options is affected by the price of our ordinary shares as well as the assumptions regarding a number of complex and subjective variables, including the expected share price volatility, risk-free interest rate, exercise multiple and expected dividend yield. The fair value of these awards was determined by our management with the assistance from a valuation report prepared by an independent valuation firm using our management's estimates and assumptions.

In January 2017, we adopted the 2016 Plan. Under the 2016 Plan, we granted nil, nil and 1,000,000 share options to our directors, officers and employees for 2022, 2023 and 2024, respectively. In January 2021, we adopted the 2021 Plan, under which restricted share units to purchase 11,707,389 Class A ordinary shares have been granted as of the date of this annual report, excluding those repurchased. See "Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plans" for more information in respect of the key terms of the 2016 Plan and the 2021 Plan and the outstanding options granted under such plans as of the date of this annual report. Further, in connection with the acquisition of EliteCRM in March 2021, we issued 2,411,177 Class A ordinary shares in the form of restricted shares as equity awards to certain management members of EliteCRM. In addition, in connection with the acquisition of Zhuge in December 2021, we issued 468,455 Class A ordinary shares in the form of restricted shares as equity awards to certain management members of Zhuge (excluding those repurchased pursuant to performance target adjustments). These restricted shares were issued under a private placement pursuant to an exemption or exclusion from the registration requirements under the Securities Act, subject to certain vesting schedule and forfeiture to the extent any share remains unvested in case of early termination of employment.

The weighted average grant date fair value of the share options granted was nil, nil and US$0.29 for 2022, 2023 and 2024, respectively. The fair values of the options granted are estimated on the dates of grant using the binomial option pricing model with the following assumptions used.

	Year Ended December 31, 2024
Risk-free rate of return[1]	2.50%
Volatility[2]	45.0%
Expected dividend yield[3]	0%
Exercise multiple[4]	2.20
Fair value of underlying ordinary share	US$0.30- US$0.52
Expiration terms[5]	10 years

(1) We estimate risk-free interest rate based on the yield to maturity of U.S. treasury bonds denominated in U.S. dollars for a term consistent with the expected term of our options in effect at the option valuation date.

(2) We estimate expected volatility based on the historical volatility of comparable peer public companies with a time horizon close to the expected term of our options.

(3) Expected dividend yield is zero as we do not anticipate any dividend payments in the foreseeable future.

(4) We estimate the expected exercise multiple as the average ratio of the stock price to the exercise price of when our employees will decide to voluntarily exercise their vested options. As we did not have sufficient information of past employee exercise history, it was estimated by referencing to a widely-accepted academic research publication.

(5) Expiration term is the contract life of the options.

In 2022, 2023 and 2024, we recorded share-based compensation expenses of RMB107.5 million, RMB22.2 million, and RMB14.3 million (US$2.0 million) related to our share options, restricted shares, ordinary shares issued to management employees to acquire their equity interests in majority-owned subsidiaries. The following table sets forth the breakdown of our share-based compensation expenses both in absolute amount and as a percentage of total share-based compensation expenses in the years indicated.

	Year Ended December 31,						
	2022		2023		2024		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Cost of revenues	(621)	(0.6)	3	0.0	-	-	0.0
Research and development expenses	(5,953)	(5.5)	1,660	7.5	(490)	(67)	(3.4)
Selling and marketing expenses	510	0.5	3,639	16.4	11,314	1,550	79.1
General and administrative expenses	113,526	105.6	16,937	76.1	3,481	477	24.3
Total	**107,462**	**100.0**	**22,239**	**100.0**	**14,305**	**1,960**	**100.0**

Recent Accounting Pronouncements

For detailed discussion on recent accounting pronouncements, see Note 2(ii) to our consolidated financial statements included elsewhere in this annual report.

Taxation

Cayman Islands

We are incorporated in the Cayman Islands. The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution, brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, our Hong Kong subsidiary is subject to Hong Kong Special Administrative Region profits tax at the rate of 16.5% on its taxable income generated from the operations in Hong Kong. Payments of dividends by the Hong Kong subsidiary to the Company is not subject to withholding tax in Hong Kong. A two-tiered profits tax rates regime was introduced in 2018 where the first HK$2.0 million of assessable profits earned by a company will be taxed at half of the current tax rate at 8.25%, whilst the remaining profits will continue to be taxed at 16.5%. There is an anti-fragmentation measure where each group will have to nominate only one company in the group to benefit from the progressive rates. No material provision for Hong Kong profits tax has been made in the financial statements as the subsidiary in Hong Kong has no assessable profits for the years ended December 31, 2022, 2023 and 2024.

Japan

Our Japan subsidiary, Cloopen Japan Co., Ltd., is subject to Japanese corporation tax (including national corporation tax, local enterprise tax and other income-based taxes) on its worldwide income. The statutory effective tax rate is approximately 30% to 34%, depending on the size of the company.

Dividends paid by a Japanese company are generally subject to Japanese withholding tax. If the Japanese company paying dividends is a non-listed company and the payee is a non-resident of Japan, the rate of such withholding tax is 20.42% under Japanese tax law. We enjoy preferential withholding tax rate of 10% under Japan-China tax treaty.

PRC

Our PRC subsidiaries and affiliated entities are subject to the EIT Law and are taxed at the statutory income tax rate of 25%, unless otherwise specified. Certain of the affiliated entities were recognized as HNTEs and were entitled to a preferential enterprise income tax rate of 15%. The HNTE status is subject to annual evaluation and a requirement that relevant entities re-apply for HNTE status every three years.

Our PRC subsidiaries and affiliated entities are subject to value added tax, or VAT. Revenues from providing cloud communication services and communication devices sales are generally subject to VAT at the rate of 6% and 13% since April 1, 2019, or 6% and 16% between May 1, 2018 and April 1, 2019, or 6% and 17% before May 1, 2018, and subsequently paid to PRC tax authorities after netting input VAT on purchases. The excess of output VAT over input VAT is reflected in accrued expenses and other current liabilities, and the excess of input VAT over output VAT is reflected in prepayments and other current assets in the consolidated balance sheets.

The EIT law imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise, or FIE, to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where we are incorporated, does not have such tax treaty with China. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% if the immediate holding company in Hong Kong owns directly at least 25% of the shares of the FIE and could be recognized as a beneficial owner of the dividend from PRC tax perspective. We did not record any dividend withholding tax, as our PRC subsidiaries and affiliated entities have no retained earnings in any of the periods presented.

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose "*de facto* management body" is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law define the location of the "*de facto* management body" as "the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, property, etc., of a non-PRC enterprise is located." Based on a review of surrounding facts and circumstances, we believe that our operations outside the PRC will unlikely be considered a "resident enterprise" for PRC tax purposes. If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the EIT Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or the ADSs holders."

[OMITTED]

B2. ADDITIONAL DISCLOSURES IN THE ANNUAL REPORT OF CLOOPEN FOR THE YEAR ENDED DECEMBER 31, 2024 THAT MEET THE REQUIREMENTS IN PARAGRAPH 32 OF APPENDIX D2 TO THE LISTING RULES

Hedging in relation to foreign currency risks

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited, and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by relevant exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

Employees

As of December 31, 2024, we had a total of 1,107 employees. The following table sets forth the breakdown of our employees as of December 31, 2024 by function.

Function	Number of Employees	% of Total
Research and development	263	23.8
Sales and marketing	282	25.5
Project execution	473	42.7
General administration	89	8.0
Total	1,107	100

We believe we offer our employees competitive compensation packages and a dynamic work environment that encourages initiative and is based on merit. As a result, we have generally been able to attract and retain qualified personnel and maintain a stable core management team.

We believe that we maintain a good working relationship with our employees, and we have not experienced any major labor disputes. None of our employees is represented by labor unions.

C1. OPERATING AND FINANCIAL REVIEW AND PROSPECTS OF THE CLOOPEN GROUP FOR THE YEAR ENDED DECEMBER 31, 2025

[OMITTED]

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our results of operations and financial condition together with the consolidated financial statements and related notes included elsewhere in this annual report. This discussion contains forward-looking statements based upon current plans, expectations and beliefs that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the section of this annual report captioned "Item 3. Key Information—D. Risk Factors" and in other parts of this annual report. Our fiscal year ends on December 31.

A. Operating Results

Overview

We are a leading multi-capability cloud-based communications solution provider in China offering a full suite of cloud-based communications solutions, covering CPaaS, cloud-based CC and cloud-based UC&C. We serve a diverse and loyal customer base consisting of enterprises of all sizes across a variety of industries, including internet, telecommunications, financial services, industrial manufacturing and energy.

We generate our revenues primarily from our CPaaS, cloud-based CC and cloud-based UC&C solutions. We generally charge our customers using our CPaaS solutions on a recurring basis, based on the monthly number of text messages and call minutes facilitated. We charge our customers using our cloud-based CC solutions deployed on public cloud on a recurring basis, with a combination of seat subscription fees and related resource usage fees. We generally charge our customers using our cloud-based CC solution deployed on private cloud and cloud-based UC&C solutions on a project basis. We plan to promote solutions that we offer on a recurring basis to lower customer acquisition costs, which we expect would favorably contribute to our profit margins.

As of December 31, 2023, 2024 and 2025, we had an active customer base of 8,703, 7,529 and 6,151 enterprises, respectively, among which 121, 114 and 102 were large-enterprise customers, respectively. In 2023, 2024 and 2025, the dollar-based net customer retention rate in relation to solutions we offer on a recurring basis was 85.8%, 74.6% and 76.7%, respectively, and the dollar-based net customer retention rate for active customers was 89.0%, 77.4% and 79.6%, respectively. We served 279, 337 and 339 customers for our project-based solutions in 2023, 2024 and 2025, respectively. Our revenues increased by 0.4% from RMB571.0 million in 2023 to RMB573.6 million in 2024, and decreased by 6.6% to RMB535.7 million (US$76.6 million) in 2025. In 2023, 2024 and 2025, we incurred net loss of RMB412.4 million, RMB146.8 million and RMB238.8 million (US$34.1 million), respectively, and our adjusted EBITDA was RMB405.5 million, RMB225.4 million, and RMB227.4 million (US$32.5 million), respectively. See "—Non-GAAP Financial Measures" for information on how we define and calculate the non-GAAP financial measures as well as a reconciliation of non-GAAP adjusted EBITDA to net loss.

Factors Affecting Our Results of Operations

Our business and results of operations are affected by China's overall economic conditions and structural transformations, especially the development of telecommunications industry and cloud-based communications industry, as well as the following industry- and company-specific factors.

Capturing market opportunity

Our ability to capture market opportunity is critical to our growth prospects. Compared to more developed regions such as the North America and Western Europe, enterprises in China are still in the early stages of adopting cloud-based technologies, which presents significant growth opportunity. The maturity level of China's network and related infrastructure for cloud computing also provides a solid foundation for rapid adoption of cloud technologies in China.

In addition, China's communications industry is highly fragmented, consisting primarily of many local players. The software-based nature and scalability of cloud-based communications solutions are well-suited to allow easy deployment across different geographical locations and industries. We focus on applying cloud-based technologies to enterprise communications, leveraging our established partnerships with multiple regional mobile network operators. Equipped with such established business relationships as well as our solutions and proprietary technologies in AI and video communications, we believe we are well-positioned to capture the significant market opportunity to consolidate China's cloud-based communications industry. Meanwhile, in order to achieve a larger market share, we will need to devote more managerial attention and financial and other resources to address the potential challenges faced by a rapidly growing business in an evolving industry.

Improving customer acquisition, retention and lifetime value

Our results of operations are highly dependent on the total number and the lifetime value of our customers. We have cultivated a large and diverse customer base of enterprises of all sizes and various industries, including internet, telecommunications, financial services, industrial manufacturing and energy. As of December 31, 2023, 2024 and 2025, we had an active customer base of 8,703, 7,529 and 6,151 enterprises, respectively, among which 121, 114 and 102 were large-enterprise customers, respectively. To retain and grow our customer base, we need to predict future market acceptance and customer demand and continue to invest in sales and marketing to penetrate into more industry verticals and second- and lower-tier cities and further promote our brand image and recognition in China's cloud-based communications industry. We also plan to expand our cross-selling and up-selling efforts to existing customers.

Introducing new features and solutions

To capitalize on the opportunities from the fast-evolving communications needs of China's enterprises of all sizes, we believe it is critical to continuously develop and introduce new features and solutions that optimize communication efficiency and efficacy and enhance operational productivity. We believe our capabilities of developing and offering a comprehensive portfolio of industry-specific solutions that satisfy disparate needs and complex internal integration and deployment requirements contribute to the success of our business operations. We must continue to invest in research and development with a focus on AI and video technologies and incorporate these technologies to develop more innovative features and solutions. We will also need to enhance the interaction of product development and sales activities and actively seek and analyze customer feedback in order to design new features and solutions catering to customer demands.

Optimizing product offering mix

Our ability to manage our product offering mix affects our results of operations, especially our overall profit margin. For example, our cloud-based CC and cloud-based UC&C solutions typically carry higher gross profit margins, as these solutions are more technologically advanced and, therefore, give us greater pricing power. To improve our overall profit margin and achieve higher financial scalability, we will need to continue to shift our focus toward offering solutions with higher profit margins. We also plan to selectively promote solutions that we offer on a recurring basis to lower customer acquisition costs, which we expect would favorably contribute to our profit margins. In addition, we need to serve more customers in targeted industries to lower the incremental industry customization costs and to achieve greater economies of scale and higher profit margins from the industries we more broadly serve.

Controlling costs and expenses

One of the largest costs we incur during our business operations, particularly for our CPaaS solutions and cloud-based CC solutions that we offer on a recurring basis, is service fees paid for telecommunications resources. In 2023, 2024 and 2025, costs paid for telecommunications resources represented 55.0%, 52.0% and 32.3% of our total cost of revenues, respectively. Mobile network operators in China typically adjust the unit prices for resources, such as text messages and voice calls, once every several years based on government recommendations. A sudden adjustment by major mobile network operators would likely negatively affect our results of operations in current contract periods because we may not be able to pass on the impact to our customers as a result of fixed unit resource price throughout the current contract periods. On the other hand, we are generally able to pass on the impact from such unit price adjustment to customers relatively quickly due to our relatively short contract periods, which enable us to adjust our resource usage fees from time to time. Additionally, we may also benefit from the increase in the unit resource price in the long term because such price increase could eliminate weaker market players and strengthen our market leadership position.

In addition, staff costs and expenses incurred to attract and retain a team of talented staff is a major component of our overall costs and expenses. While we strive to optimize our compensation and incentive structure, we remain mindful that investment in human resources plays a significant role in maintaining our competitive position. As a significant portion of our overall costs and expenses, our ability to control our staff costs and expenses without compromising our competitiveness is critical to our results of operations.

Managing development cycle

Our ability to manage the overall development cycle of our project-based solutions affects our revenues and profit margin in specific periods. We generally incur a significant amount of upfront investment and costs in developing new solutions and serving customers in new industries to meet their complex communications needs, implementation requirements and industry-specific customizations. We have also historically undertaken smaller projects with lower profit margins to enter into the markets for project-based solutions, such as for our cloud-based UC&C solutions. These initial development costs and investments may increase our costs and expenses and decrease our overall profit margins in certain periods. We are generally able to replicate our initial solution development and achieve economies of scale quickly after we deliver our industry-specific projects to more customers within the same industry or build upon our existing projects to develop similar solutions for more customers from other industries. As we continue to standardize our industry-specific solutions for more customers in diverse industries, we expect to manage the upfront investment at reasonable level and optimize our development cycle.

Strategic investment and acquisitions

We have made, and intend to continue to make, strategic acquisitions to solidify our current market presence and expand into new industries. For example, in March 2021, we acquired all the equity interests of EliteCRM, a leading customer relationship management software provider, and in December 2021, we acquired all the equity interests of Zhuge, a user-centric intelligent data solution provider. We intend to selectively pursue strategic alliances and investments to further strengthen our competitiveness. We expect to evaluate and execute alliance, investment and acquisition opportunities that complement and scale up our business, optimize our profitability, help us expand into adjacent industries and add new capabilities to our cloud-based solutions. Our strategic alliances, investments and acquisitions would likely impact our business, results of operations and financial condition.

Seasonality

Our business is subject to seasonal fluctuations. We believe that our quarterly sales are affected by industry buying patterns. Our customers, especially large enterprises, tend to enter into contracts with us in the second half of each year in accordance with their budget cycles. As such, we generally record higher revenues during such periods. In addition, we typically generate lower revenues in the first quarter during or around Chinese New Year holiday. Changes in seasonal trends may cause fluctuations in our results of operations and financial condition.

Key Operating Metrics

	As of/For the Year Ended December 31,		
	2023	2024	2025
Number of active customers	8,703	7,529	6,151
Number of large-enterprise customers	121	114	102
Percentage of revenue contribution by large-enterprise customers	67.0%	68.7%	70.1%
Dollar-based net customer retention rate	85.8%	74.6%	76.7%

* The operating metrics of EliteCRM and Zhuge are included in the operating metrics as of/for the year ended December 31, 2023, 2024, and 2025.

Our dollar-based net customer retention rate increased from 74.6% in 2024 to 76.7% in 2025, primarily driven by the incremental revenues generated from successful cross-selling to our existing customers, which positively offset the respective declines in the retention rates of our CPaaS and cloud-based CC businesses. In 2023, 2024 and 2025, our dollar-based net customer retention rate for active customers was 89.0%, 77.4% and 79.6%, respectively.

We expect that, as the applicable regulatory framework becomes more established, and as we continuously optimize our existing solutions and develop new features and solutions, our dollar-based net customer retention rate will remain stable at a relatively high level.

Non-GAAP Financial Measures

To supplement our consolidated financial statements which are presented in accordance with U.S. GAAP, we also use non-GAAP net loss and adjusted EBITDA as additional non-GAAP financial measures. We present the non-GAAP financial measures because they are used by our management to evaluate our operating performance. We also believe that the non-GAAP financial measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

We define non-GAAP net loss as net loss excluding share-based compensation, (gains)/losses from disposal of subsidiaries, net, impairment loss of long-term investments and other operating income. We define adjusted EBITDA as net loss excluding depreciation and amortization, interest income, income tax benefit, share-based compensation, investment income, impairment loss of long-term investments, other operating income, (gains)/losses from disposal of subsidiaries, net, share of (gains)/losses of equity method investments, and foreign currency exchange (gains)/losses, net. We believe that non-GAAP financial measures provide useful information to investors and others in understanding and evaluating our operating results. The non-GAAP financial measures adjust for the impact of items that we do not consider indicative of the operational performance of our business and should not be considered in isolation or construed as an alternative to net loss or any other measure of performance or as an indicator of our operating performance. Investors are encouraged to compare the historical non-GAAP financial measures with the most directly comparable GAAP measures. The non-GAAP financial measures presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

The following table sets forth a reconciliation of our non-GAAP financial measures to net loss for the years indicated.

	Year Ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US$
Net loss	**(412,374)**	**(146,827)**	**(238,801)**	**(34,149)**
Add:				
Share-based compensation	22,239	14,305	13,193	1,887
(Gains)/losses from disposal of subsidiaries, net	—	(403)	1,743	249
Impairment loss of long-term investments	8,011	—	11,145	1,594
Other operating income	—	(49,530)	—	—
Non-GAAP net loss	**(382,124)**	**(182,455)**	**(212,720)**	**(30,419)**
Net loss	**(412,374)**	**(146,827)**	**(238,801)**	**(34,149)**
Add:				
Depreciation and amortization	8,775	**7,634**	5,058	723
Interest income	(26,826)	**(42,151)**	(10,656)	(1,524)
Income tax benefit	(564)	(316)	(820)	(117)
EBITDA:	**(430,989)**	**(181,660)**	**(245,219)**	**(35,067)**
Adjust:				
Share-based compensation	22,239	14,305	13,193	1,887
Investment income	(563)	(11,859)	(10,423)	(1,490)
Impairment loss of long-term investments	8,011	—	11,145	1,594
Other operating income	—	(49,530)	—	—
(Gains)/losses from disposal of subsidiaries, net	—	(403)	1,743	249
Share of (gains)/losses of equity method investments	1,470	(3)	1,638	234
Foreign currency exchange (gains)/losses, net	(5,699)	3,717	513	73
Adjusted EBITDA	**(405,531)**	**(225,433)**	**(227,410)**	**(32,520)**

Key Components of Our Results of Operations

Revenues

We generate revenue primarily from the sales of our CPaaS, cloud-based CC and cloud-based UC&C solutions. In 2023, 2024 and 2025, our revenues were RMB571.0 million, RMB573.6 million and RMB535.7 million (US$76.6 million), respectively. The following table sets forth the breakdown of our total revenues both in absolute amount and as a percentage of total revenues in the years indicated.

	Year Ended December 31,						
	2023		2024		2025		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
CPaaS							
Text messaging	136,654	23.9	132,242	23.1	80,927	11,572	15.1
Voice calls	25,958	4.5	35,706	6.2	42,739	6,112	8.0
Jointly-operated CPaaS	15,439	2.7	—	—	—	—	0.0
IoT	13,937	2.4	21,440	3.7	24,931	3,565	4.7
Others	3,423	0.6	18	—	69	10	0.0
Subtotal	**195,411**	**34.2**	**189,406**	**33.0**	**148,666**	**21,259**	**27.8**
Cloud-based CC							
Recurring[(1)]	179,042	31.4	150,165	26.2	99,917	14,288	18.7
Project	77,919	13.6	117,916	20.6	119,251	17,053	22.3
Subtotal	**256,961**	**45.0**	**268,081**	**46.8**	**219,168**	**31,341**	**41.0**
Cloud-based UC&C	**117,554**	**20.6**	**116,079**	**20.2**	**162,821**	**23,282**	**30.3**
Other services	**1,098**	**0.2**	**—**	**—**	**5,054**	**723**	**0.9**
Total revenues	**571,024**	**100.0**	**573,566**	**100.0**	**535,709**	**76,605**	**100.0**

(1) Includes cloud-based CC solutions deployed primarily on public cloud, for which we charge a combination of seat subscription fees and related resource usage fees.

Our revenues from CPaaS solutions primarily include usage-based fees for sending text messages and making voice calls. We generally charge our customers on a recurring basis, based on the monthly number of text messages and call minutes facilitated through our CPaaS solutions. We also assist and support mobile network operators in establishing and operating communications service platforms, and recognize revenues pursuant to the revenue sharing arrangements.

Our revenues from cloud-based CC solutions primarily consist of seat subscription fees and related resource usage fees, and to a lesser extent, software license fees and related service fees. We charge customers using our cloud-based CC solutions deployed on public cloud a combination of seat subscription fees and related resource usage fees that are determined according to the capacity and number of functional modules embedded as well as the number of texts and call minutes facilitated through our solutions. In 2023, 2024 and 2025, solutions that we offer on a recurring basis generated 69.7%, 56.0% and 45.6% of our revenues from cloud-based CC solutions, respectively. We generally charge customers using our solutions deployed on private cloud software license fees and related customized service fees that are negotiated on a project basis and recognize revenues in accordance with the agreed-upon project milestones. The delivery cycle of our project-based cloud-based CC solutions typically ranges from three to 12 months.

Our revenues from cloud-based UC&C solutions primarily consist of software license fees and related services fees from individual projects, and to a lesser extent, service fees relating to maintenance and upgrade services. We negotiate these fees with customers on a project basis and charge them in accordance with the agreed-upon project milestones. The delivery cycle of our project-based cloud-based UC&C solutions typically ranges from three to 12 months. Additionally, we also generate revenues from software development and other technical support service fees charged on a project basis.

Our revenues from other services primarily consist of revenues generated from mobile network operator services and cloud-based value-added services.

Cost of revenues

Our cost of revenues primarily consists of (1) costs paid for telecommunications resources, (2) outsourcing costs, (3) infrastructure and equipment costs, and (4) staff costs related to solution delivery. In 2023, 2024 and 2025, our cost of revenues was RMB366.4 million, RMB362.7 million and RMB389.0 million (US$55.6 million), respectively. The following table sets forth the breakdown of our cost of revenues by nature both in absolute amount and as a percentage of total cost of revenues in the years indicated.

	Year Ended December 31,						
	2023		2024		2025		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Costs of telecommunications resources	201,683	55.0	188,470	52.0	125,635	17,966	32.3
Outsourcing costs	49,264	13.5	67,794	18.7	105,749	15,122	27.2
Infrastructure and equipment costs	40,011	10.9	33,909	9.3	72,548	10,374	18.7
Staff costs	68,459	18.7	71,388	19.7	83,741	11,975	21.5
Rentals and others	6,958	1.9	1,156	0.3	1,290	184	0.3
Total cost of revenues	**366,375**	**100.0**	**362,717**	**100.0**	**388,963**	**55,621**	**100.0**

Costs of telecommunications resources represent fees we pay to mobile network operators based on the number of texts and minutes of voice calls we subscribed for. We typically enter into annual contracts with mobile network operators which set forth the unit price for each text message and every minute of voice call. In 2023, 2024 and 2025, costs of telecommunications resources represented the largest portion of our cost of revenues, representing 55.0%, 52.0% and 32.3% of our total cost of revenues, respectively. We also outsource certain parts of the solution delivery and incur outsourcing costs. Infrastructure and equipment costs relate to our use of servers and our purchase of hardware and equipment to support our solutions. Staff costs represent compensation paid to employees who primarily deliver solution customization and perform other services to customers. Rentals and others primarily consist of rental costs related to our leases.

The following table sets forth the breakdown of our cost of revenues by service type both in absolute amount and as a percentage of total cost of revenues in the years indicated.

	Year Ended December 31,						
	2023		2024		2025		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
CPaaS							
Text messaging	128,564	35.1	121,444	33.4	62,163	8,889	16.0
Voice calls	24,026	6.6	32,827	9.1	38,705	5,535	10.0
Jointly-operated CPaaS	262	0.1	—	—	—	—	0.0
IoT	—	—	13,536	4	17,316	2,476	4.5
Others	2,754	0.8	—	—	—	—	0.0
Subtotal	**155,606**	**42.6**	**167,507**	**46.2**	**118,184**	**16,900**	**30.5**
Cloud-based CC							
Recurring(1)	86,109	23.5	65,422	18.0	50,755	7,258	13.0
Project	42,997	11.7	62,265	17.2	85,699	12,255	22.0
Subtotal	**129,106**	**35.2**	**127,687**	**35.2**	**136,454**	**19,513**	**35.0**
Cloud-based UC&C	**80,722**	**22.0**	**67,523**	**18.6**	**128,150**	**18,325**	**32.9**
Other services	**941**	**0.3**	**—**	**—**	**6,175**	**883**	**1.6**
Total cost of revenues	**366,375**	**100.0**	**362,717**	**100.0**	**388,963**	**55,621**	**100.0**

(1) Includes cloud-based CC solutions deployed primarily on public cloud, for which we charge a combination of seat subscription fees and related resource usage fees.

Gross profit

Our gross profit was RMB204.6 million, RMB210.8 million and RMB146.7 million (US$21.0 million) in 2023, 2024 and 2025, respectively. Our overall gross profit margin was 35.8%, 36.8% and 27.4%, respectively. The following table sets forth a breakdown of our gross profit and gross profit margin.

	Year Ended December 31,						
	2023		2024		2025		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
CPaaS	39,805	20.4	21,899	11.6	30,482	4,359	20.5
Cloud-based CC[(1)]	127,855	49.8	140,394	52.4	82,714	11,828	37.7
Cloud-based UC&C	36,832	31.3	48,556	41.8	34,671	4,957	21.3
Other services	157	14.3	—	—	(1,121)	(160)	(22.2)
Total	**204,649**	**35.8**	**210,849**	**36.8**	**146,746**	**20,984**	**27.4**

(1) The gross profit margin for cloud-based CC solutions that we offer on a recurring basis was 51.9%, 56.4% and 49.2% in 2023, 2024 and 2025, respectively.

The gross profit margin of our CPaaS solutions and cloud-based CC solutions that we offer on a recurring basis is primarily affected by the costs of telecommunications resources we paid to mobile network operators, which represented a majority of the costs for these solutions in 2023, 2024 and 2025. See "—Factors Affecting our Results of Operations—Controlling costs and expenses" for details of the impacts.

The gross profit margin of our cloud-based CC solutions on a project basis and cloud-based UC&C solutions is affected primarily by the maturity and complexity of a specific project. See "—Factors Affecting our Results of Operations—Managing development cycle" for details of the impacts.

Operating expenses

The following table sets forth our operating expenses, both in absolute amount and as a percentage of our total operating expenses, for the years indicated.

	Year Ended December 31,						
	2023		2024		2025		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Research and development expenses	222,538	34.7	177,000	38.6	139,081	19,888	35.4
Selling and marketing expenses	227,543	35.5	187,305	40.9	142,265	20,344	36.3
General and administrative expenses	191,113	29.9	93,916	20.5	111,061	15,882	28.4
Total	**641,194**	**100.0**	**458,221**	**100.0**	**392,407**	**56,114**	**100.0**

Research and development expenses

Our research and development expenses were RMB222.5 million, RMB177.0 million and RMB139.1 million (US$19.9 million) in 2023, 2024 and 2025, respectively, primarily representing (1) compensation paid to our research and development staff and (2) technology service expenses paid to outsourcing service providers for the development of certain non-core features and functions in cloud-based UC&C solutions.

Selling and marketing expenses

Our selling and marketing expenses were RMB227.5 million, RMB187.3 million and RMB142.3 million (US$20.3 million) in 2023, 2024 and 2025, respectively, primarily representing (1) compensation paid to our sales and marketing staff, (2) our spending on online advertisement and other online promotional events to reach more customers, and (3) participation and organization of offline events to boost our brand image.

General and administrative expenses

Our general and administrative expenses were RMB191.1 million, RMB93.9 million and RMB111.1 million (US$15.9 million) in 2023, 2024 and 2025, respectively, primarily representing (1) compensation paid to our administrative staff and management team, including share-based compensation expenses, (2) professional services fees, rentals and certain administrative expenses, and (3) provision for doubtful accounts.

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the years indicated, both in absolute amount and as a percentage of our revenues. You should read this information together with our consolidated financial statements and related notes included elsewhere in this annual report. The results of operations in any period are not necessarily indicative of the results that may be expected for any future periods.

	Year Ended December 31,						
	2023		2024		2025		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Revenues	571,024	100.0	573,566	100.0	535,709	76,605	100.0
Cost of revenues	(366,375)	(64.2)	(362,717)	(63.2)	(388,963)	(55,621)	(72.6)
Gross profit	**204,649**	**35.8**	**210,849**	**36.8**	**146,746**	**20,984**	**27.4**
Operating expenses:							
Selling and marketing expenses	(227,543)	(39.8)	(187,305)	(32.7)	(142,265)	(20,344)	(26.6)
General and administrative expenses	(191,113)	(33.5)	(93,916)	(16.4)	(111,061)	(15,882)	(20.7)
Other operating income		—	49,530	8.6	—	—	—
Research and development expenses	(222,538)	(39.0)	(177,000)	(30.9)	(139,081)	(19,888)	(26.0)
Total operating expenses	**(641,194)**	**(112.3)**	**(408,691)**	**(71.3)**	**(392,407)**	**(56,114)**	**(73.3)**
Operating loss	**(436,545)**	**(76.4)**	**(197,842)**	**(34.5)**	**(245,661)**	**(35,130)**	**(45.9)**
Interest income	26,826	4.7	42,151	7.3	10,656	1,524	2.0
Investment income	563	—	11,859	2	10,423	1,490	2
Share of gains (losses) of equity method investments	(1,470)	(0.3)	3	—	(1,638)	(234)	(0.3)
Impairment loss of long-term investments	(8,011)	(1.4)	—	—	(11,145)	(1,594)	(2.1)
Gains (losses) from disposal of subsidiaries, net		—	403	0.1	(1,743)	(249)	(0.3)
Foreign currency exchange gains (losses), net	5,699	1.0	(3,717)	(0.6)	(513)	(73)	(0.1)
Loss before income taxes	**(412,938)**	**(72.3)**	**(147,143)**	**(25.7)**	**(239,621)**	**(34,266)**	**(44.7)**
Income tax benefit	564	0.1	316	0.1	820	117	0.2
Net loss	**(412,374)**	**(72.2)**	**(146,827)**	**(25.6)**	**(238,801)**	**(34,149)**	**(44.6)**

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Revenues

Our revenues decreased by 6.6% from RMB573.6 million in 2024 to RMB535.7 million (US$76.6 million) in 2025, primarily due to the following.

- Revenues from our CPaaS solutions decreased by 21.5% from RMB189.4 million in 2024 to RMB148.7 million (US$21.3 million) in 2025, respectively, primarily due to a 38.8% decrease in revenues generated from our text messaging services from RMB132.2 million in 2024 to RMB80.9 million (US$11.6 million) in 2025, which was primarily due to our strategic adjustment of business, partially offset by a 19.7% increase in revenues generated from our voice calls services from RMB35.7 million in 2024 to RMB42.7 million (US$6.1 million) in 2025, which was primarily due to the increased demands from our customers.

- Revenues from our cloud-based CC solutions decreased by 18.2% from RMB268.1 million in 2024 to RMB219.2 million (US$31.3 million) in 2025. Our recurring revenues decreased by 33.5% from RMB150.2 million in 2024 to RMB99.9 million (US$14.3 million) in 2025, primarily due to the decreased demands from our customers. Our project-based revenues remained relatively stable at RMB117.9 million in 2024 and RMB119.3 million (US$17.1 million) in 2025.

- Revenues from our cloud-based UC&C solutions increased by 40.3% from RMB116.1 million in 2024 to RMB162.8 million (US$23.3 million) in 2025, primarily due to our business development and project delivery.

Cost of revenues

Our cost of revenues increased by 7.2% from RMB362.7 million in 2024 to RMB389.0 million (US$55.6 million) in 2025, primarily due to the following.

- Cost of revenues from our CPaaS solutions decreased by 29.4% from RMB167.5 million in 2024 to RMB118.2 million (US$16.9 million) in 2025, primarily due to (1) a 48.7% decrease in costs related to text messaging from RMB121.1 million in 2024 to RMB62.2 million in 2025 mainly due to the decreased usages of text messages, and (2) a 17.9% increase in costs related to voice call services from RMB32.8 million in 2024 to RMB38.7 million in 2025, which was mainly due to the increased usages of voice calls.

- Cost of revenues from our cloud-based CC solutions increased by 6.9% from RMB127.7 million in 2024 to RMB136.5 million (US$19.5 million) in 2025, primarily due to (1) a 37.6% increase in cost of revenues from our project-based cloud-based CC solutions from RMB62.3 million in 2024 to RMB85.7 million (US$12.3 million) in 2025 mainly due to the increased infrastructure and equipment costs and outsourcing costs for certain projects that we undertook, and (2) a 22.4% decrease in cost of revenues from our subscription-based cloud-based CC solutions from RMB65.4 million in 2024 to RMB50.8 million (US$7.3 million) in 2025 mainly due to as a result of decreased business scale.

- Cost of revenues from our cloud-based UC&C solutions increased by 89.8% from RMB67.5 million in 2024 to RMB128.1 million (US$18.3 million) in 2025, primarily due to the increased business scale and the increased percentage of infrastructure and equipment costs and outsourcing costs for certain projects that we undertook.

Gross profit

As a result of the foregoing, our gross profit decreased by 30.6% from RMB210.8 million in 2024 to RMB146.7 million (US$21.0 million) in 2025. Our gross profit margin decreased from 36.8% in 2024 to 27.4% in 2025, primarily due to (1) a lower proportion of revenues generated from our cloud-based CC solutions, which typically have higher profit margins as compared to CPaaS solutions; and (2) the decreased gross profit margin from our cloud-based UC&C solutions and project-based cloud-based CC solutions.

Operating expenses

- Research and development expenses. Our research and development expenses decreased by 21.4% from RMB177.0 million in 2024 to RMB139.1 million (US$19.9 million) in 2025, primarily due to the decrease in R&D staff expenses resulting from decreases in the headcount of and the compensation level for our R&D personnel.

- Selling and marketing expenses. Our selling and marketing expenses decreased by 24.0% from RMB187.3 million in 2024 to RMB142.3 million (US$20.3 million) in 2025, primarily due to (1) a 23.7% decrease in staff expenses of RMB27.8 million (US$4.0 million), mainly due to decreases in the headcount of and the compensation level for our sales and marketing personnel, (2) a 27.4% decrease in market development and operational expenses of RMB10.7 million (US$1.5 million), mainly due to our expenses control measures, and (3) a 29.6% decrease in share-based compensation expenses of RMB3.3 million (US$0.5 million), mainly due to a decrease in amortized expenses as the options vested.

- General and administrative expenses. Our general and administrative expenses increased by 18.3% from RMB93.9 million in 2024 to RMB111.1 million (US$15.9 million) in 2025, primarily due to (1) a 35.4% increase in staff expenses of RMB19.0 million (US$2.7 million), mainly due to increase in headcount of management personnel, partially offset by a 24.6% decrease in professional service fees of RMB6.7 million (US$1.0 million).

- Other operating income. our operating income decreased by 100% from RMB49.5 million in 2024 to nil in 2025, primarily because we ceased the cooperation with some customers and the advances from the customers will not refund in the future according to the suspension agreements in 2024.

Operating loss

As a result of the foregoing, our operating loss increased by 24.2% from RMB197.8 million in 2024 to RMB245.7 million (US$35.1 million) in 2025.

Other income and expenses

- Interest income. Our interest income decreased by 74.7% from RMB42.2 million in 2024 to RMB10.7 million (US$1.5 million) in 2025, primarily due to the decreases in average deposits and interest rate.

- Investment income. Our investment income decreased by 12.1% from RMB11.9 million in 2024 to RMB10.4 million (US$1.5 million) in 2025, primarily due to the decreased realized gain related to short-term investments.

- Share of losses of equity method investments. We recorded share of gains of equity method investments of RMB3,000 in 2024, and share of losses of equity method investments of RMB1.6 million (US$0.2 million) in 2025, primarily due to the gains (losses) incurred by the equity investees that we invested in.

- Impairment loss of long-term investments. We incurred impairment loss of long-term investments of nil in 2024 and RMB11.1 million (US$1.6 million) in 2025, primarily due to a non-temporary impairment of the long-term investments.

- Gains (losses) from disposal of subsidiaries, net. We recorded gains from disposal of subsidiaries of RMB0.4 million in 2024, and losses from disposal of subsidiaries of RMB1.7 million (US$0.2 million) in 2025, primarily due to the disposal of subsidiaries.

- Foreign currency exchange losses, net. We recorded foreign currency exchange losses of RMB3.7 million in 2024 and RMB0.5 million (US$0.07 million) in 2025, primarily due to fluctuations in exchange rate between U.S. dollars and Renminbi.

Income tax benefit

We recorded income tax benefit of RMB0.3 million and RMB0.8 million (US$0.1 million) in 2024 and 2025, respectively.

Net loss

As a result of the foregoing, our net loss increased by 62.6% from RMB146.8 million in 2024 to RMB238.8 million (US$34.1 million) in 2025.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenues

Our revenues increased by 0.4% from RMB571.0 million in 2023 to RMB573.6 million in 2024, primarily due to the following.

- Revenues from our CPaaS solutions decreased by 3.1% from RMB195.4 million in 2023 to RMB 189.4 million in 2024, primarily due to a 37.6% increase in revenues generated from our voice calls services from RMB26.0 million in 2023 to RMB35.7 million in 2024, which was primarily due to business recovery from the impact of COVID-19 pandemic, partially offset by a significant decrease in revenues generated from our jointly-operated CPaaS services from RMB15.4 million in 2023 to nil in 2024 because we terminated the cooperation with respect to one of the communications service platforms jointly operated with mobile network operators in 2023.

- Revenues from our cloud-based CC solutions increased by 4.3% from RMB257.0 million in 2023 to RMB268.1 million in 2024. Our recurring revenues decreased by 16.1% from RMB179.0 million in 2023 to RMB150.2 million in 2024, primarily due to the decreased demands from our customers. Our project-based revenues increased by 51.3% from RMB77.9 million in 2023 to RMB117.9 million in 2024, primarily due to an increase in the number of projects as a result of our business expansion.

- Revenues from our cloud-based UC&C solutions decreased by 1.3% from RMB117.6 million in 2023 to RMB116.1 million in 2024, primarily due to the decreased demands from our customers.

Cost of revenues

Our cost of revenues decreased by 1.0% from RMB366.4 million in 2023 to RMB362.7 million in 2024, primarily due to the following.

- Cost of revenues from our CPaaS solutions increased by 7.6% from RMB155.6 million in 2023 to RMB167.5 million in 2024, primarily due to the increase of RMB 13.5 million in costs related to IOT, as the Company start selling IOT devices in 2024, while there was only IOT services in 2023.

- Cost of revenues from our cloud-based CC solutions decreased by 1.1% from RMB129.1 million in 2023 to RMB127.7 million in 2024, primarily due to (1) a 44.8% increase in cost of revenues from our project-based cloud-based CC solutions from RMB43.0 million in 2023 to RMB62.3 million in 2024 mainly due to the increased business scale and the increased outsourcing costs for certain projects that we undertook, and (2) a 24.0% decrease in cost of revenues from our subscription-based cloud-based CC solutions from RMB86.1 million in 2023 to RMB65.4 million in 2024 mainly due to the decreased business scale and the decrease in the number of minutes of voice calls that we facilitated through our solutions.

- Cost of revenues from our cloud-based UC&C solutions decreased by 16.4% from RMB80.7 million in 2023 to RMB67.5 million in 2024, primarily due to the decreased business scale.

Gross profit

As a result of the foregoing, our gross profit increased by 3.0% from RMB204.6 million in 2023 to RMB210.8 million in 2024. Our gross profit margin increased from 35.8% in 2023 to 36.8% in 2024, primarily due to primarily due to a greater portion of revenues generated from our cloud-based CC solutions, which typically have higher profit margins as compared to CPaaS solutions.

Operating expenses

- Research and development expenses. Our research and development expenses decreased by 20.5% from RMB222.5 million in 2023 to RMB177.0 million in 2024, primarily due to (1) a 24.5% decrease in the R&D staff expenses of RMB43.7 million (US$6.0 million), mainly due to decreases in the headcount of and the compensation level for our R&D personnel, and (2) a 32.0% decrease in lease expenses of RMB2.7 million, which was in line with the reduced R&D headcount.

- Selling and marketing expenses. Our selling and marketing expenses decreased by 17.7% from RMB227.5 million in 2023 to RMB187.3 million in 2024, primarily due to (1) a 26.2% decrease in staff expenses of RMB41.5 million, mainly due to decreases in the headcount of and the compensation level for our sales and marketing personnel, and (2) a 8.7% decrease in spending on advertising campaigns and marketing activities of RMB3.7 million, mainly due to our expenses control measures..

- General and administrative expenses. Our general and administrative expenses decreased by 50.9% from RMB191.1 million in 2023 to RMB93.9 million in 2024, primarily due to (1) a 61.4% decrease in the service fees paid to third parties of RMB43.1 million, mainly due to the settlement of the Class Action in 2023, (2) a 16.9% decrease in staff expenses of RMB10.9 million, mainly due to decreases in the headcount of and the compensation level for our management and administrative personnel, (3) a 79.4% decrease in share-based compensation expenses of RMB13.5 million, mainly due to a decrease in amortized expenses as the options vested, and (4) a significant decrease in allowance for doubtful accounts of RMB20.3 million.

- Other operating income. We recorded other operating income of RMB49.5 million in 2024, as compared to nil in 2023, primarily because we ceased the cooperation with some customers and the advances from the customers will not refund in the future according to the suspension agreements.

Operating loss

As a result of the foregoing, our operating loss decreased from RMB436.5 million in 2023 to RMB197.8million in 2024.

Other income and expenses

- Interest income. Our interest income increased by 57.1% from RMB26.8 million in 2023 to RMB 42.2 million in 2024, primarily due to an increase in average deposit interest rate and cash and cash equivalent balance denominated in USD.

- Investment income. We recorded investment income of RMB11.9 million in 2024, as compared to RMB0.6 million in 2023, primarily relating to the increased realized gain related to short-term investments.

- Share of gains (losses) of equity method investments. We recorded share of losses of equity method investments of RMB1.5 million in 2023, and share of gains of equity method investments of RMB3,000 in 2024, primarily due to the gains (losses) incurred by an equity investee that we invested in.

- Impairment loss of long-term investments. We incurred impairment loss of long-term investments of nil in 2024, as compared to RMB8.0 million in 2023, primarily due to a non-temporary impairment of the long-term investments in 2023.

- Gains from disposal of subsidiaries, net. We recorded gains from disposal of subsidiaries of RMB0.4 million in 2024, as compared to nil in 2023, primarily due to we had no disposal in 2023.

- Foreign currency exchange gains (losses), net. We recorded foreign currency exchange losses of RMB3.7 million in 2024, as compared to foreign currency exchange gains of RMB5.7 million in 2023, primarily due to fluctuations in exchange rate between U.S. dollars and Renminbi.

Income tax benefit

We incurred income tax benefit of RMB0.6 million and RMB0.3 million in 2023 and 2024, respectively.

Net loss

As a result of the foregoing, our net loss decreased by 64.4% from RMB412.4 million in 2023 to RMB146.8 million in 2024.

B. Liquidity and Capital Resources

In 2023, 2024 and 2025, we incurred net loss of RMB412.4 million, RMB146.8 million and RMB238.8 million (US$34.1 million), and our net cash used in operating activities was RMB516.2 million, RMB180.2 million and RMB231.0 million (US$33.0 million) in the same years, respectively. In 2023, 2024 and 2025, no cash provided by/ (used in) financing activities of nil, nil and nil, respectively. In 2023 and 2024, net cash provided by investing activities was RMB351.3 million and RMB460.2 million, respectively, and in 2025, net cash used in investing activities was RMB80.2 million (US$11.5 million).

Based upon service type and our assessment of customers' credit and ongoing relationships, our payment terms typically range from 60 to 180 days after our customers have been billed. Days sales outstanding, calculated by gross accounts receivable outstanding as of the year end divided by revenues for the year and multiplied by the number of days in such year, were 156 days, 131 days and 158 days for 2023, 2024 and 2025, respectively. Our days sales outstanding decreased from 156 days in 2023 to 131 days in 2024, primarily because we have strengthened the Company's collection management of accounts receivable. Our days sales outstanding increased from 131 days in 2024 to 158 days in 2025, primarily because we extended payment cycles for large customers to maintain stable customer relationship. We will closely monitor our outstanding accounts receivable and follow up with relevant customers on a continuous basis in order to collect overdue balances.

In December 2021, we obtained secured bank loans of RMB5.5 million (US$0.9 million) from the business acquisition of Zhuge, which were secured by the founder of Zhuge. Such bank borrowings were paid off in full in 2022. As of December 31, 2025, we did not have short-term bank borrowings.

As of December 31, 2025, 74.5% of our cash and cash equivalents were held in China, and 55.1% were held by the VIE and denominated in Renminbi. Although we consolidate the results of the affiliated entities, we do not have direct access to the cash and cash equivalents or future earnings of the affiliated entities. However, a portion of the cash balances of the affiliated entities will be paid to us pursuant to our contractual arrangements with the affiliated entities. For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Holding Company Structure."

We believe that our existing cash and cash equivalents and anticipated cash flows from operating and financing activities will be sufficient to meet our anticipated working capital requirements, and capital expenditures in the ordinary course of business for the next 12 months. We may, however, require additional cash resources due to changing business conditions or other future developments, including acquisitions or investments we may decide to selectively pursue. If our existing cash resources are insufficient to meet our requirements, we may seek to issue equity or debt securities or obtain credit facilities. The issue of additional equity securities would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. If we are unable to obtain additional equity or debt financing as required, our business operations and prospects may suffer. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We may need additional capital, and we may be unable to obtain such capital in a timely manner or on acceptable terms, or at all."

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

	Year Ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US$
Net cash used in operating activities	(516,202)	(180,240)	(231,019)	(33,037)
Net cash provided by/(used in) investing activities	351,294	460,228	(80,192)	(11,468)
Net cash used in financing activities	—	—	—	—
Effect of foreign currency exchange rate changes on cash	20,092	(11,922)	12,937	1,851
Net increase/(decrease) in cash and restricted cash	(144,816)	268,066	(298,274)	(42,654)
Cash and restricted cash at the beginning of the year	527,265	382,449	650,515	93,023
Cash and restricted cash at the end of the year	382,449	650,515	352,241	50,369

Operating activities

Net cash used in operating activities was RMB231.0 million (US$33.0 million) in 2025, primarily due to net loss of RMB238.8 million (US$34.1 million), adjusted primarily by (1) noncash items including share-based compensation of RMB13.2 million (US$1.9 million), allowance for doubtful accounts of RMB2.8 million (US$0.4 million), depreciation of property and equipment and amortization of intangible assets of RMB5.1 million (US$0.7 million), amortization of right-of-use asset and interest on lease liabilities of RMB2.0 million (US$0.3 million), impairment loss of long-term investments of RMB11.1 million (US$1.6 million), losses from disposal of subsidiaries of RMB1.7 million (US$0.2 million), partially offset by investment income of RMB10.4 million (US$1.5 million), (2) changes in working capital that negatively affected operating cash flow, including an increase in contract assets of RMB24.6 million (US$3.5 million) primarily due to the increased amounts of unbilled work performed for project-based solutions, an increase in accounts receivable of RMB27.0 million (US$3.9 million) primarily due to slower collection from customers, and a decrease in contract liabilities of RMB6.6 million (US$0.9 million) primarily as a result of the decrease in cash received from customers in advance, and (3) changes in working capital that positively affected operating cash flow, including an increase in accounts payable of RMB34.3 million (US$4.9 million) primarily due to our effective management of payments to equipment providers and outsourcing service providers.

Net cash used in operating activities was RMB180.2 million in 2024, primarily due to net loss of RMB146.8 million, adjusted primarily by (1) non-cash items including share-based compensation of RMB14.3 million, a decrease of allowance for doubtful accounts RMB3.9 million, depreciation of property and equipment and amortization of intangible assets of RMB7.6 million, amortization of right-of-use asset and interest on lease liabilities of RMB8.5 million, investment income of RMB 11.9 million, unrealized foreign exchange losses of RMB3.7 million, (2) changes in working capital that negatively affected operating cash flow, including a decrease in accrued expenses and other current liabilities of RMB22.5 million primarily due to our timely payments to third parties, a decrease in contract liabilities of RMB57.1 million primarily as a result of the decrease in cash received from customers, and an increase in contract assets of RMB13.0 million primarily due to the increased amounts to issue invoices to our project based on customers, and (3) changes in working capital that positively affected operating cash flow, including a decrease in accounts receivable of RMB38.6 million primarily due our strengthened collection management of accounts receivable, and an increase in accounts payable of RMB7.8 million primarily due to our effectively management of payments to mobile network operators for telecommunications resources.

Net cash used in operating activities was RMB516.2 million in 2023, primarily due to net loss of RMB412.4 million, adjusted primarily by (1) non-cash items including share-based compensation of RMB22.2 million, allowance for doubtful accounts RMB16.5 million, depreciation of property and equipment and amortization of intangible assets of RMB8.8 million, impairment loss of long-term investments of RMB8.0 million, (2) changes in working capital that negatively affected operating cash flow, including a decrease in accrued expenses and other current liabilities of RMB118.2 million primarily relating to payment for U.S class action, a decrease in accounts payable of RMB34.4 million primarily due to the increase of payment to mobile network operators for telecommunications resources, and an increase in accounts receivable from third parties, net of RMB28.1 million primarily due to the decrease in customer collections, and (3) changes in working capital that positively affected operating cash flow, including a decrease in contract assets of RMB26.7 million primarily as such amounts were reclassified into accounts receivable following our issuance of invoices.

Investing activities

Net cash used in investing activities was RMB80.2 million (US$11.5 million) in 2025, primarily due to cash paid for term deposits of RMB1,501.8 million (US$214.7 million), cash paid for purchase of short-term investments of RMB434.6 million (US$62.1 million), and cash paid for purchase of long-term investments of RMB12.0 million (US$1.7 million), partially offset by cash received from maturity of term deposits of RMB1,510.2 million (US$216.0 million) and cash received from sale of short-term investments of RMB358.7 million (US$51.3 million).

Net cash provided by investing activities was RMB460.2 million in 2024, primarily due to cash received from maturity of term deposits of RMB1,571.5 million and cash received from sale of short-term investments of RMB357.8 million, partially offset by cash paid for term deposits of RMB1,243.9 million and cash paid for purchase of short-term investments of RMB222.0 million.

Net cash provided by investing activities was RMB351.3 million in 2023, primarily due to cash received from maturity of term deposits of RMB1,308.9 million and cash received from sale of short-term investments of RMB24.7 million, partially offset by cash paid for term deposits of RMB938.5 million and cash paid for purchase of short-term investments of RMB28.2 million.

Financing activities

We did not incur net cash used in or provided by financing activities in 2023, 2024 and 2025, primarily because we possessed sufficient cash and did not engage in any financing activity in those years.

Capital Expenditures

Our capital expenditures are incurred primarily in connection with purchase of property and equipment such as computer, software and office equipment and purchase of intangible assets including software copyrights and telecommunication business licenses. Our capital expenditures were RMB1.8 million, RMB3.2 million and RMB0.8 million (US$0.1 million) in 2023, 2024 and 2025, respectively. We intend to fund our future capital expenditures with our existing cash balance.

Holding Company Structure

We conduct our operations primarily through our subsidiaries and the affiliated entities in China. As a result, our ability to pay dividends depends upon dividends paid by our subsidiaries and fees paid by the affiliated entities. If our subsidiaries or any newly formed subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us.

In addition, our subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with the Accounting Standards for Business Enterprise as promulgated by the MOF, or PRC GAAP. Under PRC law, each of our PRC subsidiaries and the affiliated entities is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory surplus reserve until such reserve reaches 50% of its registered capital. In addition, our subsidiaries in China may allocate a portion of their after-tax profits based on PRC GAAP to enterprise expansion funds as well as staff bonus and welfare funds at its discretion, and the affiliated entities may allocate a portion of their after-tax profits based on PRC GAAP to a discretionary surplus fund at their discretion. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the statutory reserve funds are not distributable as cash dividends.

As an offshore holding company, we are permitted under PRC laws and regulations to provide funding from the proceeds of our offshore fundraising activities to our PRC subsidiaries only through loans or capital contributions, and to the affiliated entities only through loans, in each case subject to the satisfaction of the applicable government registration and approval requirements. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may affect our ability to capitalize or otherwise fund our PRC operations." As a result, there is uncertainty with respect to our ability to provide prompt financial support to our PRC subsidiaries and the affiliated entities in China when needed.

Financial Information Related to the VIE

The following tables present the consolidating schedule of financial information relating to Cloopen Group Holding Limited, or the Parent, consolidated affiliated entities and non-VIE consolidated entities as of and for the years ended December 31, 2023, 2024 and 2025.

Selected consolidated statements of comprehensive loss data

	Year ended December 31, 2023				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Total revenues	—	553,910	45,600	(28,486)	571,024
Cost of revenues	—	(346,257)	(49,906)	29,788	(366,375)
Gross profit	—	207,653	(4,306)	1,302	204,649
Operating expenses	(89,953)	(439,508)	(92,566)	(19,167)	(641,194)
Operating loss	(89,953)	(231,855)	(96,872)	(17,865)	(436,545)
Loss before income taxes	(89,953)	(233,465)	(103,841)	14,321	(412,938)
Net loss	(89,953)	(232,856)	(103,885)	14,320	(412,374)

	Year ended December 31, 2024				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Total revenues	—	563,277	55,685	(45,396)	573,566
Cost of revenues	—	(360,984)	(43,748)	42,015	(362,717)
Gross profit	—	202,293	11,937	(3,381)	210,849
Operating expenses	(32,074)	(222,378)	(103,961)	(50,278)	(408,691)
Operating loss	(32,074)	(20,085)	(92,024)	(53,659)	(197,842)
Loss before income taxes	(32,074)	(33,370)	(89,806)	8,107	(147,143)
Net loss	(32,074)	(33,078)	(89,781)	8,106	(146,827)

	Year ended December 31, 2025				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Total revenues	—	495,463	5,552	34,694	535,709
Cost of revenues	—	(343,066)	(59,609)	13,712	(388,963)
Gross profit	—	152,397	(54,057)	48,406	146,746
Operating expenses	(26,860)	(237,092)	(127,237)	(1,218)	(392,407)
Operating loss	(26,860)	(84,695)	(181,294)	47,188	(245,661)
Loss before income taxes	(26,860)	(83,689)	(131,243)	2,171	(239,621)
Net loss	(26,860)	(82,869)	(131,243)	2,171	(238,801)

Selected consolidated balance sheets data

	As of December 31, 2023				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Total current assets	145,207	509,400	1,142,659	(163,853)	1,633,413
Total non-current assets	1,108,131	213,207	2,264,779	(3,435,442)	150,675
Total assets	1,253,338	722,607	3,407,438	(3,599,295)	1,784,088
Total current liabilities	52,372	2,728,417	22,400	(2,217,187)	586,002
Total non-current liabilities	—	2,799	249	—	3,048
Total liabilities	52,372	2,731,216	22,649	(2,217,187)	589,050
Total shareholders' equity attributable to Cloopen Group Holding Limited	1,200,966	(2,002,681)	3,384,789	(1,382,108)	1,200,966
Non-controlling interests	—	(5,928)	—	—	(5,928)
Total liabilities and shareholders' equity	1,253,338	722,607	3,407,438	(3,599,295)	1,784,088

	As of December 31, 2024				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Total current assets	263,126	421,886	805,866	(55,199)	1,435,679
Total non-current assets	993,075	233,663	2,569,349	(3,653,387)	142,700
Total assets	1,256,201	655,549	3,375,215	(3,708,586)	1,578,379
Total current liabilities	181,624	2,655,390	(120,570)	(2,207,841)	508,603
Total non-current liabilities	—	3,173	2,024	—	5,197
Total liabilities	181,624	2,658,563	(118,546)	(2,207,841)	513,800
Total shareholders' equity attributable to Cloopen Group Holding Limited	1,074,577	(1,993,016)	3,493,761	(1,500,745)	1,074,577
Non-controlling interests	—	(9,998)	—	—	(9,998)
Total liabilities and shareholders' equity	1,256,201	655,549	3,375,215	(3,708,586)	1,578,379

	As of December 31, 2025				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Total current assets	186,497	490,383	627,861	(68,575)	1,236,166
Total non-current assets	765,636	68,053	2,959,800	(3,653,387)	140,102
Total assets	952,133	558,436	3,587,661	(3,721,962)	1,376,268
Total current liabilities	110,750	2,804,831	(58,790)	(2,316,318)	540,473
Total non-current liabilities	—	2,262	1,599	—	3,861
Total liabilities	110,750	2,807,093	(57,191)	(2,316,318)	544,334
Total shareholders' equity attributable to Cloopen Group Holding Limited	841,383	(2,239,208)	3,644,852	(1,405,644)	841,383
Non-controlling interests	—	(9,449)	—	—	(9,449)
Total liabilities and shareholders' equity	952,133	558,436	3,587,661	(3,721,962)	1,376,268

	Year ended December 31, 2023				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Net cash used in operating activities	(133,979)	(184,395)	(197,828)		(516,202)
Net cash used in investing activities	(569,407)	(6,700)	(860,399)	1,787,800	351,294
Net cash provided by financing activities	—	218,926	1,568,874	(1,787,800)	—

	As of December 31, 2024				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Net cash used in operating activities	115,285	46,516	(342,041)	—	(180,240)
Net cash used in investing activities	(486)	(3,216)	35,173	428,757	460,228
Net cash provided by financing activities	—	(4,712)	4,712	—	—

	Year ended December 31, 2025				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Net cash used in operating activities	(32,515)	(46,311)	(152,193)	—	(231,019)
Net cash used in investing activities	(185,787)	(12,508)	(25,663)	143,766	(80,192)
Net cash provided by financing activities	—	76,333	(76,333)	—	—

Off-Balance Sheet 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.

Commitments

The following table sets forth our contractual obligations as of December 31, 2025.

	Total		Year Ending December 31,		
			2026	2027	2028
	RMB	US$	RMB	RMB	RMB
			(in thousands)		
Purchase commitments*	32,159	4,599	31,871	288	—

* Relates to purchase of software and equipment. The purchase commitments are contracted but not yet reflected in the consolidated financial statements as of December 31, 2025.

Save as disclosed above, we did not have any significant capital or other commitments, long term obligations or guarantees as of December 31, 2025.

C. Research and Development, Patents and Licenses, etc.

See "Item 4. Information on the Company—B. Business Overview—Research and Development" and "Item 4. Information on the Company—B. Business Overview— Intellectual Property."

D. Trend Information

Other than as disclosed in this annual report, we are not aware of any trend, uncertainty, demand, commitment or event for the year of 2025 that are reasonably likely to have a material adverse effect on our revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial condition.

E. Critical Accounting Estimates

We prepared the consolidated financial statements in accordance with U.S. GAAP. When reviewing our financial statements, you should consider our selection of critical accounting policies, our judgments and other uncertainties affecting our applications of those policies and the sensitivity of reported results to changes of such policies, judgments and uncertainties. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements. You should read the following descriptions of critical accounting policies, judgments and estimates in conjunction with our consolidated financial statements and other disclosures included in this annual report.

Revenue recognition

We account for our revenue contracts in accordance with ASC Topic 606, Revenue from Contracts with Customers (ASC 606). According to ASC 606, revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. We determine revenue recognition through the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

We generate substantially all of our revenues from the following services and products:

1) CPaaS, which allows customers to send text messages and place voice calls using our cloud-based platform;

2) Cloud-based CC, with which customers can operate their virtual contact centers and access related value-added services using our cloud-based platform; and

3) Cloud-based UC&C, where we create customized communications software on customers' private clouds to meet their specific needs and deliver the software licenses to customers.

We recognize revenue upon the transfer of control of promised products or services provided to our customers, in the amount of consideration we expect to receive for those products or services (excluding sales taxes collected on behalf of government authorities). Our revenue contracts generally do not include a right of return in relation to the delivered products or services.

The timing of revenue recognition may differ from the timing of invoicing to our customers. We record a contract asset when revenue is recognized prior to invoicing, and a contract liability when payment is received from a customer in advance of revenue recognition. We generally issue invoices based on contract terms, which may be when the services are completed, upon customer acceptance of our deliverables or at preset milestones. Payments are due with standard payment terms which are generally not more than 90 days from invoice issuance.

CPaaS revenues

We account for revenue from customers' usage of text message and voice call services on our CPaaS platform as two separate performance obligations. Our service fees are determined by applying the contractual unit price to the monthly usage volume of text messages sent or minutes of voice calls placed and a contractual monthly fixed charge per subscriber multiplied by the number of subscribers recorded by our CPaaS platform where relevant. The cloud-based services to send text messages and place voice calls are sold separately to customers with observable standalone selling prices.

We also provide services as an agent in provision of CPaaS platforms to customers. We have identified one performance obligation and recognized the revenues, on a monthly basis, at the amount equal to the difference between the amount charged to the customers and the amount charged by telecommunication operators.

The service contracts are generally with a length between three and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide the customer with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant us or customers a unilateral right to terminate the contracts before completion.

Cloud-based CC revenues

Customers subscribe to our basic cloud-based CC services at a fixed monthly fee and pay for other value-added services on a usage basis. We recognize the monthly service fees ratably over the contract period during which we are obligated to grant customers continuous access to those basic cloud-based CC services. Revenue for other value-added services on top of the basic subscription is determined by applying the contractual unit price to the monthly usage volume and recognized when the related services are provided to customers. The basic subscription is sold to customers at the same price with or without the value-added services, so the transaction price is allocated on the basis of observable stand-alone selling prices.

The service contracts are generally with a length between three and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide customers with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant us or customers a unilateral right to terminate the contracts before completion.

We also offer customized cloud-based CC solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. We have identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized CC license and other highly interdependent and interrelated services, and have accounted for the promise as one combined performance obligation. We apply an iterative process to design, test and implement the software in customers' IT environment and recognizes revenue for this performance obligation over a period of time during which the control of the customized cloud-based CC solution is progressively transferred to the customers. We use an input method to estimate progress, based on the proportion of the labor hours incurred relative to the estimated total labor hours. We also offer standard or non-complex cloud-based CC solutions to customers, and have identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. Our cloud-based CC contracts generally include a standard assurance-type warranty.

Cloud-based UC&C revenues

We offer customized cloud-based UC&C solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. We have identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized UC&C license and other highly interdependent and interrelated services, and have accounted for the promise as one combined performance obligation. We apply an iterative process to design, test and implement the software in customers' IT environment and recognize revenue for this performance obligation over a period of time during which the control of the customized UC&C solution is progressively transferred to the customers. We use an input method to estimate progress, based on the proportion of the labor hours incurred relative to the estimated total labor hours. We also offer standard or non-complex cloud-based UC&C solutions to customers, and have identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. Our cloud-based UC&C contracts generally include a standard assurance-type warranty.

Share-based compensation

Share-based awards granted to the founders and employees in the form of restricted shares are measured at the grant date fair value of the awards, and are recognized as compensation expense using the graded-vesting schedules over the requisite service period for each separately vesting portion (or tranche) of the award. We elect to recognize the effect of forfeitures in compensation cost when they occur. To the extent the required vesting conditions are not met resulting in the forfeiture of the share-based awards, previously recognized compensation expense relating to those awards is reversed.

Share-based compensation in relation to the restricted ordinary shares is measured based on the fair value of our ordinary shares at the award grant date, which is estimated using the income approach and equity allocation method. Estimating the fair value of our ordinary shares involves significant assumptions that might not be observable in the market, and a number of complex and subjective variables, discount rate, risk-free interest rate and subjective judgments regarding our projected financial and operating results, our unique business risks, the liquidity of our ordinary shares and our operating history and prospects at the time of the grant. Share-based compensation in relation to the share options is estimated using the binomial option pricing model. The determination of the fair value of share options is affected by the price of our ordinary shares as well as the assumptions regarding a number of complex and subjective variables, including the expected share price volatility, risk-free interest rate, exercise multiple and expected dividend yield. The fair value of these awards was determined by our management with the assistance from a valuation report prepared by an independent valuation firm using our management's estimates and assumptions.

In January 2017, we adopted the 2016 Plan. Under the 2016 Plan, we granted nil, 1,000,000 and nil share options to our directors, officers and employees for 2023, 2024 and 2025, respectively. In January 2021, we adopted the 2021 Plan, under which restricted share units to purchase 11,707,389 Class A ordinary shares have been granted as of the date of this annual report, excluding those repurchased. See "Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plans" for more information in respect of the key terms of the 2016 Plan and the 2021 Plan and the outstanding options granted under such plans as of the date of this annual report. Further, in connection with the acquisition of EliteCRM in March 2021, we issued 2,411,177 Class A ordinary shares in the form of restricted shares as equity awards to certain management members of EliteCRM. In addition, in connection with the acquisition of Zhuge in December 2021, we issued 468,455 Class A ordinary shares in the form of restricted shares as equity awards to certain management members of Zhuge (excluding those repurchased pursuant to performance target adjustments). These restricted shares were issued under a private placement pursuant to an exemption or exclusion from the registration requirements under the Securities Act, subject to certain vesting schedule and forfeiture to the extent any share remains unvested in case of early termination of employment.

The weighted average grant date fair value of the share options granted was nil, US$0.29 and nil for 2023, 2024 and 2025, respectively. The fair values of the options granted are estimated on the dates of grant using the binomial option pricing model with the following assumptions used.

	Year Ended December 31, 2025
Risk-free rate of return[1]	2.50%
Volatility[2]	45.0%
Expected dividend yield[3]	0%
Exercise multiple[4]	2.20
Fair value of underlying ordinary share	US$0.30- US$0.52
Expiration terms[5]	10 years

(1) We estimate risk-free interest rate based on the yield to maturity of U.S. treasury bonds denominated in U.S. dollars for a term consistent with the expected term of our options in effect at the option valuation date.

(2) We estimate expected volatility based on the historical volatility of comparable peer public companies with a time horizon close to the expected term of our options.

(3) Expected dividend yield is zero as we do not anticipate any dividend payments in the foreseeable future.

(4) We estimate the expected exercise multiple as the average ratio of the stock price to the exercise price of when our employees will decide to voluntarily exercise their vested options. As we did not have sufficient information of past employee exercise history, it was estimated by referencing to a widely-accepted academic research publication.

(5) Expiration term is the contract life of the options.

In 2023, 2024 and 2025, we recorded share-based compensation expenses of RMB22.2 million, RMB14.3 million and RMB13.2 million (US$1.9 million) related to our share options, restricted shares, ordinary shares issued to management employees to acquire their equity interests in majority-owned subsidiaries. The following table sets forth the breakdown of our share-based compensation expenses both in absolute amount and as a percentage of total share-based compensation expenses in the years indicated.

	Year Ended December 31,						
	2023		2024		2025		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Cost of revenues	3	-	-	-	-	-	-
Research and development expenses	1,660	7.5	(490)	(3.4)	2,013.0	288.0	15.3
Selling and marketing expenses	3,639	16.4	11,314	79.1	7,969.0	1,140.0	60.4
General and administrative expenses	16,937	76.1	3,481	24.3	3,211.0	459.0	24.3
Total	**22,239**	**100.0**	**14,305**	**100.0**	**13,193.0**	**1,887.0**	**100.0**

Recent Accounting Pronouncements

For detailed discussion on recent accounting pronouncements, see Note 2(ii) to our consolidated financial statements included elsewhere in this annual report.

Taxation

Cayman Islands

We are incorporated in the Cayman Islands. The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution, brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, our Hong Kong subsidiary is subject to Hong Kong Special Administrative Region profits tax at the rate of 16.5% on its taxable income generated from the operations in Hong Kong. Payments of dividends by the Hong Kong subsidiary to the Company is not subject to withholding tax in Hong Kong. A two-tiered profits tax rates regime was introduced in 2018 where the first HK$2.0 million of assessable profits earned by a company will be taxed at half of the current tax rate at 8.25%, whilst the remaining profits will continue to be taxed at 16.5%. There is an anti-fragmentation measure where each group will have to nominate only one company in the group to benefit from the progressive rates. No material provision for Hong Kong profits tax has been made in the financial statements as the subsidiary in Hong Kong has no assessable profits for the years ended December 31, 2023, 2024 and 2025.

Japan

Our Japan subsidiary, Cloopen Japan Co., Ltd., is subject to Japanese corporation tax (including national corporation tax, local enterprise tax and other income-based taxes) on its worldwide income. The statutory effective tax rate is approximately 30% to 34%, depending on the size of the company.

Dividends paid by a Japanese company are generally subject to Japanese withholding tax. If the Japanese company paying dividends is a non-listed company and the payee is a non-resident of Japan, the rate of such withholding tax is 20.42% under Japanese tax law. We enjoy preferential withholding tax rate of 10% under Japan-China tax treaty.

PRC

Our PRC subsidiaries and affiliated entities are subject to the EIT Law and are taxed at the statutory income tax rate of 25%, unless otherwise specified. Certain of the affiliated entities were recognized as HNTEs and were entitled to a preferential enterprise income tax rate of 15%. The HNTE status is subject to annual evaluation and a requirement that relevant entities re-apply for HNTE status every three years.

Our PRC subsidiaries and affiliated entities are subject to value added tax, or VAT. Revenues from providing cloud communication services and communication devices sales are generally subject to VAT at the rate of 6% and 13% since April 1, 2019, or 6% and 16% between May 1, 2018 and April 1, 2019, or 6% and 17% before May 1, 2018, and subsequently paid to PRC tax authorities after netting input VAT on purchases. The excess of output VAT over input VAT is reflected in accrued expenses and other current liabilities, and the excess of input VAT over output VAT is reflected in prepayments and other current assets in the consolidated balance sheets.

The EIT law imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise, or FIE, to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where we are incorporated, does not have such tax treaty with China. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% if the immediate holding company in Hong Kong owns directly at least 25% of the shares of the FIE and could be recognized as a beneficial owner of the dividend from PRC tax perspective. We did not record any dividend withholding tax, as our PRC subsidiaries and affiliated entities have no retained earnings in any of the periods presented.

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose "*de facto* management body" is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law define the location of the "*de facto* management body" as "the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, property, etc., of a non-PRC enterprise is located." Based on a review of surrounding facts and circumstances, we believe that our operations outside the PRC will unlikely be considered a "resident enterprise" for PRC tax purposes. If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the EIT Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or the ADSs holders."

[OMITTED]

C2. ADDITIONAL DISCLOSURES IN THE ANNUAL REPORT OF CLOOPEN FOR THE YEAR ENDED DECEMBER 31, 2025 THAT MEET THE REQUIREMENTS IN PARAGRAPH 32 OF APPENDIX D2 TO THE LISTING RULES

Hedging in relation to foreign currency risks

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered intoany hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited, and we may not be able to adequately hedg eour exposure or at all. In addition, our currency exchange losses may be magnified by relevant exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

Employees

As of December 31, 2025, we had a total of 1,008 employees. The following table sets forth the breakdown of our employees as of December 31, 2025 by function.

Function	Number of Employees	% of Total
Research and development	234	23.2
Sales and marketing	233	23.1
Project execution	430	42.7
General administration	111	11.0
Total	1,008	100

We believe we offer our employees competitive compensation packages and a dynamic work environment that encourages initiative and is based on merit. As a result, we have generally been able to attract and retain qualified personnel and maintain a stable core management team.

We believe that we maintain a good working relationship with our employees, and we have not experienced any major labor disputes. None of our employees is represented by labor unions.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable inquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors and chief executives of the Company had the interests in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which are required 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 such Director and chief executive is taken or deemed to have under such provisions of SFO), or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers:

Name of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company as at the Latest Practicable Date
Mr. ZHANG Feng	Beneficial owner	6,464,200 (L)[(1)]	0.69%
	Beneficiary of a trust	5,000,000 (L)[(2)]	0.53%
Mr. CHEN Zhiyu	Beneficial owner	783,505 (L)	0.08%
Mr. LI Wei	Beneficial owner	4,000 (L)	0.00%

Notes:

(1) The 6,464,200 Shares comprise: (i) 564,200 Shares held by Mr. Zhang Feng, which were vested under the restricted share units granted to him pursuant to the share incentive plan approved and adopted by the Shareholders on January 8, 2016 (the "**2016 Share Incentive Plan**"); and (ii) Mr. Zhang Feng's entitlement to receive up to 5,900,000 Shares pursuant to the exercise of share options ("**2016 Options**") granted to him under the 2016 Share Incentive Plan, subject to the conditions (including vesting conditions) of those 2016 Options.

(2) Represents the Shares held by Vigorous Link Group Limited for Mr. Zhang Feng. Vigorous Link Group Limited is a limited liability company incorporated under the laws of the British Virgin Islands and is wholly owned by a trust which holds Shares for the benefit of certain Directors and senior management of the Group. Pursuant to the relevant trust arrangement, the exercise of the voting rights attached to all the Shares held by Vigorous Link Group Limited is ultimately directed and controlled by the Board.

(L) – Long position

The calculation is based on the total number of 937,510,811 ordinary shares (including 63,538,800 treasury Shares) in issue of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, save as disclosed above, none of the Directors was a director or employee of a company which had an interest or short position 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.

3. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates had an interest in a business, which competes or may compete with the businesses of the Company and any other conflicts of interest which any such person has or may have with the Company which would be required to be disclosed under Rule 8.10 of the Listing Rules if they were treated as controlling shareholders of the Company.

6. DIRECTORS' INTERESTS IN ASSETS

None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of or leased to any member of the Group since December 31, 2025, being the date to which the latest published audited accounts of the Group were made up, and up to the Latest Practicable Date.

7. DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group taken as a whole.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since December 31, 2025, the date to which the latest published audited consolidated accounts of the Group were made up.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular and are or may be material:

(a) a cornerstone investment agreement dated November 22, 2024 entered into among the Company, DFI Development Holdings Limited, UBS Securities Hong Kong Limited, UBS AG Hong Kong Branch, CMB International Capital Limited, China Merchants Securities (HK) Co., Limited, CLSA Limited and China International Capital Corporation Hong Kong Securities Limited, pursuant to which DFI Development Holdings Limited agreed to subscribe for Shares at the offer price of HK$30.21 per Share in the aggregate amount of the Hong Kong dollar equivalent of US$39.06 million;

(b) the underwriting agreement dated November 26, 2024 relating to the offer of 2,577,400 Shares for subscription by the public in Hong Kong at the offer price of HK$30.21 per Share (plus brokerage of 1%, Securities and Futures Commission of Hong Kong transaction levy of 0.0027% and Stock Exchange trading fee of 0.00565% and Accounting and Financial Report Council transaction levy of 0.00015%), entered into by the Company, its Controlling Shareholders, the Joint Sponsors, the Overall Coordinators and the Hong Kong Underwriters (as defined and further described in the Prospectus); and

(c) the placing and subscription agreement entered into between the Company, Odor Nice Limited, China International Capital Corporation Hong Kong Securities Limited and Guotai Junan Securities (Hong Kong) Limited dated July 16, 2025 in relation to the Top-up Subscription, details of which are disclosed in the Company's announcements dated July 16, 2025 and July 25, 2025.

10. QUALIFICATION AND CONSENT OF EXPERTS

The following are the qualifications of the experts who have given opinion or advice, which are contained or referred to in this circular:

Name	**Qualification**
KPMG	Certified Public Accountant
GTG CPA Limited ("**GTG**")	Certified Public Accountant

Each of the experts above has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and references to its name in the form and context in which it appears. The reports from the experts are given for incorporation in this circular.

As at the Latest Practicable Date, none of the experts above have any beneficial shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

None of the experts above has any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired or disposed of or leased since 31 December 2025, being the date to which the latest published audited accounts of the Group were made up, and up to the Latest Practicable Date.

11. DOCUMENTS ON DISPLAY

Copies of the below documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (https://ir.dmall.com/) for a period of 14 days from the date of this circular (both days inclusive):

(a) the Dmall Equity Commitment Letter;

(b) the Dmall Limited Guarantee;

(c) the Interim Investors Agreement;

(d) the reconciliation statement on the consolidated statement of profit or loss and other comprehensive income or loss and the consolidated statement of financial position of the Cloopen Group for each of the three years ended December 31, 2023, 2024 and 2025 prepared by GTG as set out in Appendix IIIA to this circular;

(e) the report on the unaudited pro forma financial information of the Group following the Transaction prepared by KPMG as set out in Appendix IIIB to this circular;

(f) the letter of consent from GTG referred to in the above paragraph headed "Qualification and Consent of Experts" of this appendix;

(g) the letter of consent from KPMG referred to in the above paragraph headed "Qualification and Consent of Experts" of this appendix; and

(h) this circular.

12. GENERAL

(a) The address of the registered office of the Company is the offices of Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, VG 1110, British Virgin Islands.

(b) The address of the principal place of business in Hong Kong of the Company is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

(c) The Company's Hong Kong share registrar is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(d) The joint company secretaries of the Company are Ms. Wang Yi and Ms. Au Wing Sze. Ms. Au is an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Dmall Inc.**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Dmall Inc.

多点数智有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 2586)

MAJOR TRANSACTION
ACQUISITION OF EQUITY INTEREST IN CLOOPEN GROUP HOLDING LIMITED

Capitalised terms used in this cover page shall bear the same meanings as those defined in the section headed "Definitions" in this circular. A letter from the Board is set out on pages 7 to 52 of this circular.

June 30, 2026

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"ADSs"	American depositary shares of Cloopen, each of which represents six Class A Cloopen Shares;
"Agreements"	the Dmall Equity Commitment Letter, the Dmall Limited Guarantee and the Interim Investors Agreement;
"associate"	has the meaning ascribed thereto under the Listing Rules;
"Board"	the board of Directors;
"China" or "PRC"	the People's Republic of China, and for the purposes of this circular only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan;
"Class A Cloopen Shares"	Class A ordinary shares of Cloopen with a par value of US$0.0001 per share, each of which entitles the holder thereof to one vote;
"Class B Cloopen Shares"	Class B ordinary shares of Cloopen with a par value of US$0.0001 per share, each of which entitles the holder thereof to ten votes;
"Cloopen"	Cloopen Group Holding Limited (OTC: RAASY), a company incorporated under the laws of the Cayman Islands and the ADSs of which are quoted on the OTC market in the United States;
"Cloopen Group"	Cloopen and its subsidiaries and consolidated affiliated entities;
"Cloopen Shareholder(s)"	Holders of Cloopen Shares;
"Cloopen Shares"	Class A Cloopen Shares and Class B Cloopen Shares;
"Companies Act"	the Companies Act (Revised) of the Cayman Islands;
"Company"	Dmall Inc. (多点数智有限公司), a business company incorporated in the British Virgin Islands and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2586);
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules;

"Debt Commitment Letter"	the debt commitment letter dated May 12, 2026 (EST) executed and delivered by the Financing Bank to the Parentco in connection with the Proposed Privatization;
"Director(s)"	the director(s) of the Company;
"Dmall Equity Commitment Letter"	the Equity Commitment Letter dated May 12, 2026 (EST) executed and delivered by the Purchaser to the Parentco;
"Dmall Limited Guarantee"	the Limited Guarantee dated May 12, 2026 (EST) entered into by the Purchaser in favour of Cloopen;
"Equity Commitment Letter(s)"	the equity commitment letter(s) to be executed and delivered by the Equity Investor(s) to the Parentco in connection with the Proposed Privatization, which shall be in substantially identical form (except for the definition of "Commitment" thereunder);
"Equity Investor"	each party who has executed and delivered an Equity Commitment Letter to the Parentco in connection with the Proposed Privatization. As at the Latest Practicable Date and save for the Purchaser, the Initial Sponsor and Mr. Sun's Entity, there is no other Equity Investor;
"EST"	Eastern Standard Time;
"Financing Bank"	China Minsheng Banking Corp., Ltd. Shanghai Pilot Free Trade Zone Branch (中國民生銀行股份有限公司上海自貿試驗區分行);
"Global Offering"	the global offering of the Company's Shares pursuant to, among others, the Prospectus;
"Group"	the Company and its subsidiaries;
"HKICPA"	Hong Kong Institute of Certified Public Accountants;
"Holdco"	AutumnX Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands and, as of the Latest Practicable Date, a wholly owned subsidiary of Parentco;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"IFRS Accounting Standards"	IFRS Accounting Standards issued by the International Accounting Standards Board

"Initial Sponsor"	Trustbridge Partners VII, L.P., an exempted limited partnership organized under the Laws of the Cayman Islands;
"Investor"	each of (i) the Initial Sponsor, (ii) the Management Party, (iii) each Rollover Shareholder, and (iv) each Equity Investor;
"Latest Practicable Date"	June 22, 2026, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained in this circular;
"Limited Guarantee(s)"	the limited guarantees to be entered into by the Investors (or their applicable affiliates) in favour of Cloopen in connection with the Proposed Privatization, which shall be in substantially identical form (except for the definition of "Cap" thereunder);
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Merger"	the merger between Merger Sub and Cloopen pursuant to the Merger Agreement;
"Merger Agreement"	the agreement and plan of merger dated May 12, 2026 (EST) entered into between the Parent Parties and Cloopen, pursuant to which Merger Sub will merge with and into Cloopen, with Cloopen continuing as the surviving company and becoming a wholly-owned subsidiary of Holdco, upon the terms and subject to the conditions set forth therein;
"Merger Completion"	the completion of the Merger according to the terms of the Merger Agreement;
"Merger Sub"	SummerX Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands and, as of the Latest Practicable Date, a wholly owned subsidiary of Holdco;
"Merger Transaction Documents"	the Equity Commitment Letters, the Debt Commitment Letter (and/or, if applicable, any alternative financing documents), the Limited Guarantees, the Interim Investors Agreement, the Support Agreement or any other document contemplated thereby or any document or instrument delivered in connection thereunder or under the Merger Agreement;

"Mr. Sun" or "Management Party"	Changxun Sun, the founder and chief executive officer of Cloopen;
"Mr. Sun's Entity"	Cloopen Co., Ltd., a company wholly-owned by Mr. Sun;
"OTC market"	over-the-counter market;
"Parent Parties"	Parentco, Holdco and Merger Sub;
"Parent Termination Fee"	a termination fee of US$3,202,319 to which Cloopen is entitled to under the Merger Agreement in certain circumstances where the Merger Agreement is terminated due to certain failures on the part of the Parent Parties;
"Parentco"	SpringX Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands;
"Proposed Privatization"	the proposed going private transaction in respect of Cloopen as set out in the preliminary non-binding proposal letter dated December 22, 2025 from Mr. Sun and the Initial Sponsor to the board of directors of Cloopen, under which it was proposed Mr. Sun and the Initial Sponsor will acquire all of the outstanding Class A Cloopen Shares and Class B Cloopen Shares (including Cloopen Shares represented by the ADSs) that are not already beneficially owned by Mr. Sun and the Initial Sponsor or their affiliates, for a purchase price of US$0.4940 per Cloopen Share, or US$2.9641 per ADS, in cash, subject to certain conditions;
"Prospectus"	the prospectus of the Company dated November 28, 2024;
"Purchaser"	Retail Technology Asia Limited, a company incorporated in Hong Kong and an indirectly wholly-owned subsidiary of the Company;
"RMB"	Renminbi, the lawful currency of China;

"Rollover Shareholder(s)"	a Supporting Shareholder who, pursuant to the Support Agreement, has agreed to roll over its Cloopen Shares (or ADS) to Holdco (by having such Cloopen Shares (or ADS) cancelled in exchange for newly issued shares of Holdco). As at the Latest Practicable Date, Rollover Shareholders consist of (i) Trustbridge Partners V, L.P.; (ii) Mr. Sun's Entity; (iii) Flawless Success Limited, a nominee of an employee incentive trust that holds shares for and on behalf of the grantees under Cloopen's share incentive plans issued due to exercise of options, the trustee of which is Kastle Limited and the beneficiaries are Changxun Sun, Xiegang Xiong, Yipeng Li, Cheng Luo; (iv) Image Frame Investment (HK) Limited, which is ultimately controlled by Tencent Holdings Limited. Tencent Holdings Limited has been listed on the Main Board of the Hong Kong Stock Exchange since June 16, 2004 (stock code: 700); (v) Novo Investment HK Limited, which is wholly owned by Shenzhen Nuohe Investment Partnership Enterprise (Limited Partnership) (深圳諾河投資合夥企業(有限合夥)) ("**Shenzhen Nuohe**"). The general partner of Shenzhen Nuohe is China Reform Venture Capital Investment Management (Shenzhen) Ltd. (國新風險投資管理(深圳)有限公司), which is in turn ultimately controlled by the State Council of the PRC. Shenzhen Nuohe has four limited partners, namely, China State-owned Capital Venture Capital Fund Co., Ltd. (中國國有資本風險投資基金股份有限公司), Shenzhen Nuoyun Investment Partnership Enterprise (Limited Partnership) (深圳諾雲投資合夥企業(有限合夥)), Shenzhen Nuoyin Investment Partnership Enterprise (Limited Partnership) (深圳諾銀投資合夥企業(有限合夥)), and Shenzhen Nuoyan Investment Partnership Enterprise (Limited Partnership) (深圳諾岩投資合夥企業(有限合夥)), and the ultimate beneficial owner of all of the limited partners is the State Council of the PRC; and (vi) Parantoux Vintage PE Ltd., the ultimate beneficial owner of which is Mr. Yang Diao;
"SEC"	the U.S. Securities and Exchange Commission;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	ordinary shares of the Company with a par value of US$0.0001 each;
"Shareholders"	holder(s) of the Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;

"Support Agreement"	the support agreement dated May 12, 2026 (EST) entered into between the Holdco, the Supporting Shareholders and the Management Party;
"Supporting Shareholders"	Trustbridge Partners V, L.P., Mr. Sun's Entity, Flawless Success Limited, Image Frame Investment (HK) Limited, Novo Investment HK Limited, and Parantoux Vintage PE Ltd., together with any shareholders of Cloopen who become a party to the Support Agreement;
"Top-up Subscription"	the placing of 35,400,000 existing Shares and the top-up subscription of 35,400,000 new Shares carried out by the Company, as disclosed in the Company's announcements dated July 16, 2025 and July 25, 2025;
"Transaction"	the Purchaser's participation in the Proposed Privatization as an Equity Investor pursuant to the Agreements;
"U.S.," "US" or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdictions;
"U.S. GAAP"	Generally Accepted Accounting Principles in the United States;
"US$"	United States dollars, the lawful currency of the United States; and
"%"	per cent.

Dmall Inc.
多点数智有限公司
(Incorporated in the British Virgin Islands with limited liability)
(Stock Code: 2586)

Executive Director:
Mr. Zhang Feng *(President)*

Non-executive Directors:
Mr. Curtis Alan Ferguson *(Chairman)*
Mr. Chen Zhiyu
Mr. Wang Zhenghao

Independent Non-executive Directors:
Dr. Hou Yang
Ms. Cai Lin
Dr. Mao Jiye
Mr. Li Wei

Registered office:
Craigmuir Chambers
P.O. Box 71
Road Town, Tortola
VG 1110, British Virgin Islands

Headquarters:
Floor 15, Block B
Haidian Culture and Art Building
No. 28, Zhongguancun Street
Haidian District
Beijing, China

Principal place of business in Hong Kong:
31/F, Tower Two
Times Square, 1 Matheson Street
Causeway Bay
Hong Kong

June 30, 2026

To the Shareholders,

Dear Sir or Madam

MAJOR TRANSACTION
ACQUISITION OF EQUITY INTEREST IN
CLOOPEN GROUP HOLDING LIMITED

1. INTRODUCTION

Reference is made to the announcement of the Company dated May 12, 2026 in relation to, among others, the Transaction.

The purpose of this circular is to provide the Shareholders with, among other things, (i) further details relating to the Agreements and the Transaction, (ii) the financial information of the Group and the Cloopen Group, (iii) the unaudited pro forma financial information of the Group following the Merger becoming effective, and (iv) other information as required under the Listing Rules.

2. THE TRANSACTION

On May 12, 2026, EST (before trading hours of the OTC market in the United States; equivalent to May 12, 2026, Hong Kong time, after trading hours of the Stock Exchange), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreements with the relevant parties in relation to the Proposed Privatization of Cloopen, the ADSs of which are quoted on the OTC market in the United States.

Pursuant to the Agreements, the Purchaser conditionally agreed to participate in the Proposed Privatization as an Equity Investor (i.e. the Transaction), committing an aggregate cash purchase price (i.e. the Commitment) of US$36.0 million to purchase equity interests of Parentco. The final Commitment to be utilized, and therefore the corresponding equity interests in Parentco the Purchaser will acquire, is subject to potential adjustments (downward or upward) in accordance with the Dmall Equity Commitment Letter and the Interim Investors Agreement. Such adjustments may be made due to potential changes to the composition of the Investors (for example, there may be changes to the Rollover Shareholders or Equity Investor(s)), the size of the equity interest in Cloopen to be acquired by each Investor, and/or the final utilization of the debt financing (which may depend on factors such as how favorable the interest rate is and the level of demand for equity interests in Cloopen on the part of the Equity Investor(s)). The adjustment of the commitment amount of each Equity Investor is not inter-conditional on each other. The final utilization of the Commitment from the Company will be finally determined by the Initial Sponsor at the Merger Closing.

Each of the Agreements, and the overall Proposed Privatization, is subject to a number of conditions. Assuming all of the conditions are satisfied or waived according to the terms of the relevant agreement, and based on the expected utilization of the Commitment as of the Latest Practicable Date of approximately US$35,163,980, following the Merger Completion and the Merger taking effect, the Purchaser will hold approximately 49.79% of the equity interest in Parentco, which will in turn hold approximately 68.35% of the equity interest in Cloopen; that is, the Purchaser will hold an effective economic interest of approximately 34.03% in Cloopen.

Any upward adjustment of the Commitment is subject to the consent of the Purchaser. In the event an upward adjustment is effected, the Purchaser will not consent to any adjusted Commitment exceeding US$40.5 million; even if the Commitment is adjusted to such maximum amount, the Purchaser's equity interest in Parentco will not exceed 50% (as the other Investors' commitments will also increase). There is no expected minimum for the utilization of the Commitment or the equity interest in Parentco the Purchaser will acquire. As such, none of Parentco, Holdco and Cloopen will become a subsidiary of the Company and their financial results will not be consolidated into the accounts of the Group.

Background of the Proposed Privatization

Cloopen (OTC: RAASY) is a leading multi-capability cloud-based communications solution provider in China offering a full suite of cloud-based communications solutions, covering communications platform as a service (CPaaS), cloud-based contact centers, and cloud-based unified communications and collaborations. Its ADSs are currently quoted on the OTC market in the United States. For further information about Cloopen, please see the section headed "Information on the Parties" in this circular.

The board of directors of Cloopen has received a preliminary non-binding proposal letter dated December 22, 2025 (the "**Preliminary Proposal Letter**"), from Mr. Sun, Cloopen's founder and chief executive officer, and the Initial Sponsor, Trustbridge Partners VII, L.P., proposing to acquire all of the outstanding Class A Cloopen Shares and Class B Cloopen Shares (including Cloopen Shares represented by the ADSs) that are not already beneficially owned by Mr. Sun and the Initial Sponsor or their affiliates, for a purchase price of US$0.4940 per Cloopen Share (the "**Per Share Offer Price**"), or US$2.9641 per ADS, in cash in a going private transaction, subject to certain conditions (i.e. the Proposed Privatization).

The Proposed Privatization will be effected by way of a merger. It will be funded by equity financing, including rollover equity from the Rollover Shareholders and cash commitment from the Equity Investor(s), as well as debt financing from the Financing Bank. Below is an overview of the transaction structure and the key transaction documents of the Proposed Privatization:

(a) The Initial Sponsor has set up three special purpose vehicles for the merger: the Parentco, the Holdco (a wholly-owned subsidiary of the Parentco as of the Latest Practicable Date), and the Merger Sub (a wholly-owned subsidiary of the Holdco as of the Latest Practicable Date; together with Parentco and Holdco shall be hereinafter referred to as the Parent Parties).

(b) On May 12, 2026, EST, the Parent Parties and Cloopen entered into the Merger Agreement, pursuant to which Merger Sub will merge with and into Cloopen, with Cloopen continuing as the surviving company and becoming a wholly-owned subsidiary of Holdco, upon the terms and subject to the conditions set forth in the Merger Agreement.

(c) On May 12, 2026, EST, the Holdco, the Supporting Shareholders and the Management Party entered into a Support Agreement pursuant to which the Supporting Shareholders and the Management Party agreed to, among other things, (a) vote their respective Cloopen Shares (including Cloopen Shares represented by ADSs), together with any Cloopen Shares (including Cloopen Shares represented by ADSs) acquired by each of them or any of their respective Affiliates following the date thereof and prior to the Closing, in favor of the authorization and approval of the Merger Agreement and related documents and the consummation of the Transactions, including the Merger, and (b) cancel their respective certain portion of securities in Cloopen (including Cloopen Shares or ADSs and equity awards under the share plans of Cloopen (if any)) in exchange for shares in Holdco and the consideration for the equity awards in accordance with the terms of the Support Agreement and the Merger Agreement.

(d) On May 12, 2026, EST, the Purchaser, as an Equity Investor, executed and delivered the Dmall Equity Commitment Letter to Parentco, pursuant to which it committed certain cash amount to purchase equity interests of Parentco (subject to adjustment in accordance with the terms of such letter and the Interim Investors Agreement).

(e) On May 12, 2026, EST, Cloopen (as the guaranteed party) entered into a Limited Guarantee with each of the Initial Sponsor and the Equity Investor(s) (each as a guarantor), which are in substantially identical form (except for the definition of "**Cap**" thereunder), pursuant to which the guarantor agreed to, among other things, guarantee the due and punctual performance and discharge of certain payment obligations of Parentco or Holdco to Cloopen under the Merger Agreement.

(f) On May 12, 2026, EST, the Initial Sponsor, the Management Party, the Parent Parties and the Equity Investor(s) entered into the Interim Investors Agreement to govern the actions of Parent Parties and the relationship among the parties thereto with respect to the Merger Agreement, the Equity Commitment Letter(s), the Support Agreement and the Limited Guarantees, and the transactions contemplated by each.

(g) On May 12, 2026, EST, the Financing Bank executed and delivered the Debt Commitment Letter to and in favor of Parentco, pursuant to which the Financing Bank committed to arrange and underwrite certain term loan facilities of up to US$42 million which will be drawn down by Parentco immediately prior to the Merger Closing in connection with the Merger.

The Purchaser has conditionally agreed to participate in the Proposed Privatization as an Equity Investor and has entered into the Agreements, namely, the Dmall Equity Commitment Letter, the Dmall Limited Guarantee and the Interim Investors Agreement, on May 12, 2026, EST (before trading hours of the OTC market in the United States; equivalent to May 12, 2026, Hong Kong time, after trading hours of the Stock Exchange). The principal terms of the Agreements are summarized as follows.

Dmall Equity Commitment Letter

Date: May 12, 2026 (EST)

Parties: (i) the Parentco; and

(ii) the Purchaser

Subject matter

Upon the terms and subject to the conditions set forth in the Dmall Equity Commitment Letter, the Purchaser irrevocably commits and agrees that, at or prior to the Merger Closing, it shall purchase (directly or indirectly through one or more intermediate entities) equity interests of Parentco at an aggregate cash purchase price of US$36.0 million (i.e. the Commitment). The Commitment, together with the commitment(s) of the other Equity Investor(s) under their Equity Commitment Letter(s) (the "**Aggregate Commitment**") and the net proceeds from debt financing, will solely be used to fund, to the extent necessary to fund, the consideration for the Merger and other related amounts in connection with the consummation of the transactions under Merger Transaction Documents (which shall not include the Parent Termination Fee or any Guaranteed Obligations (defined below)) (collectively, the "**Closing Payments**").

If Parentco does not require all of the Aggregate Commitment to pay the Closing Payments and to consummate the transactions under the Merger Transaction Documents, the amount of the Commitment of the Purchaser may be reduced by the Initial Sponsor in accordance with the Interim Investors Agreement.

Consideration

The Commitment for the Purchaser (which is currently US$36.0 million and subject to adjustment according to the Interim Investors Agreement) shall be paid to Parentco in immediately available funds at or prior to the Merger Closing. As of the Latest Practicable Date, the Commitment has not been paid.

Conditions precedent

The Commitment shall be subject to the satisfaction of the following conditions:

(a) the satisfaction or waiver, if permissible, of each of the conditions to the Parent Parties' obligations to consummate the Merger Closing set forth in the Merger Agreement (in each case, other than any conditions that by their nature are to be satisfied at the Merger Closing, but subject to the prior or substantially concurrent satisfaction or waiver of such conditions);

(b) the debt financing portion has been funded or will be funded at the Merger Closing if the Aggregate Commitment is funded;

(c) the substantially contemporaneous funding to Parentco of the commitments of the other Equity Investor(s) contemplated by their respective Equity Commitment Letter(s); and

(d) the substantially contemporaneous consummation of the Merger Closing.

As of the Latest Practicable Date, none of the above conditions precedent has been fulfilled.

Termination

The Dmall Equity Commitment Letter will terminate automatically and immediately upon the earliest of:

(a) the effective time of the Merger (at which time the Purchaser's obligation will be discharged, subject to the performance of such obligation);

(b) the termination of the Merger Agreement in accordance with its terms;

(c) Cloopen or any related party of Cloopen (or any person claiming by, through or for the benefit of any of them) asserting in writing a claim that (i) the Purchaser's, Parentco's or any of their respective affiliates' liability under or in respect of the Dmall Equity Commitment Letter, the Merger Agreement, the Dmall Limited Guarantee, any of the transactions contemplated thereby and/or any related matters is not limited to the amount of the Commitment or Cap (defined below), or that the limitation of such liability to the amount of the Commitment or Cap is illegal, invalid or unenforceable, in whole or in part or (ii) the liability of the Purchaser under or in respect of the Dmall Limited Guarantee is not limited in accordance with the limitations set forth therein, or that any of such limitations is illegal, invalid or unenforceable, in whole or in part, and

(d) Cloopen or any related party of Cloopen (or any person claiming by, through or for the benefit of any of them) asserting in writing a claim against the Purchaser (or any non-recourse party as set out in the Dmall Limited Guarantee) under or in connection with the Dmall Equity Commitment Letter or any other Merger Transaction Document or any of the transactions contemplated hereby or thereby and/or any related matters (other than asserting certain retained claims as set out in the Dmall Limited Guarantee).

Dmall Limited Guarantee

Date: May 12, 2026 (EST)

Parties: (i) the Purchaser (as guarantor); and

(ii) Cloopen (as guaranteed party)

Subject matter

The Purchaser absolutely, irrevocably and unconditionally guarantees to Cloopen, on the terms and conditions set forth in the Dmall Limited Guarantee, the due and punctual performance and discharge of the Pro Rata Percentage (as defined below) of certain payment obligations of Parentco or Holdco to Cloopen in respect of the Parent Termination Fee, reasonable out-of-pocket costs incurred by Cloopen and its subsidiaries upon the valid termination of the Merger Agreement and indemnity relating to the debt financing arrangement under the Merger Agreement (collectively and without regard to the Pro Rata Percentage, the "**Guaranteed Obligations**"), if, as and when those obligations become payable. The Purchaser's aggregate liability under the Dmall Limited Guarantee shall not exceed 49.79253% (the "**Pro Rata Percentage**") of the amount of (x) US$3,202,319 (being the Parent Termination Fee), plus (y) certain costs, expenses and interests payable by Parent Parties to Cloopen under the Merger Agreement (such as reasonable out-of-pocket costs incurred by Cloopen and its subsidiaries upon the valid termination of the Merger Agreement and interests accrued on any due and unpaid Parent Termination Fee), less (z) any amount actually paid by or on behalf of Parentco or Holdco to Cloopen (the "**Cap**"). (The Pro Rata Percentage is equal to the equity interest percentage in Parentco the Purchaser would be able to acquire if the Commitment is utilized in full.) As of the Latest Practicable Date, no payment has been paid by or on behalf of Parentco or Holdco to Cloopen.

If Parentco fails to perform or discharge, or cause to be performed or discharged, any Guaranteed Obligations when due, then the Purchaser shall, on Cloopen's demand in writing, pay to Cloopen the Pro Rata Percentage of the Guaranteed Obligations (subject to the Cap).

Termination

The Dmall Limited Guarantee shall automatically and immediately terminate and the Purchaser shall have no further obligations under or in connection therewith as of the earliest of:

(a) the effective time of the Merger;

(b) the payment by the Purchaser in full to Cloopen of the Pro Rata Percentage of the Guaranteed Obligations;

(c) the termination of the Merger Agreement in accordance with its terms by mutual consent of the parties thereto or in other circumstances where the Parent Termination Fee or other payments pursuant to the Merger Agreement is not payable; and

(d) 60 days following the termination of the Merger Agreement in accordance with its terms under circumstances in which Holdco would be obligated to pay the Parent Termination Fee in accordance with the terms of the Merger Agreement (unless Cloopen shall have asserted a claim for any Parent Termination Fee or Guaranteed Obligation prior to the expiration of such 60-day period, in which case the Dmall Limited Guarantee shall terminate upon the final, non-appealable resolution of such action and satisfaction by the Purchaser of any obligations finally determined or agreed to be owed by it).

In the event Cloopen or any related party of Cloopen asserts in an action that (i) any provisions of the Dmall Limited Guarantee (including the Cap), are illegal, invalid or unenforceable, in whole or in part, or the Purchaser is liable in respect of any Guaranteed Obligations in excess of or to a greater extent than the Cap, (ii) any provisions of the Dmall Equity Commitment Letter (including any that limits the Purchaser's liability) are illegal, invalid or unenforceable, in whole or in part, or the Purchaser is liable thereunder in excess of or to a greater extent than its Commitment, or (iii) any theory of liability against any non-recourse party (set out in the Dmall Limited Guarantee) with respect to the Dmall Limited Guarantee or any other Merger Transaction Document or any of the transactions contemplated hereby or thereby and/or any related matters (other than asserting certain retained claims as set out in the Dmall Limited Guarantee) then, the obligations of the Purchaser under or in connection with the Dmall Limited Guarantee shall terminate *ab initio* and be null and void; if the Purchaser has previously made any payments under or in connection with the Dmall Limited Guarantee, it shall be entitled to recover and retain such payments; and the Purchaser (and any other non-recourse party) shall have no liability whatsoever to Cloopen in any way under or in connection with the Dmall Limited Guarantee or any other Merger Transaction Document or any of the transactions contemplated hereby or thereby and/or any related matters.

Interim Investors Agreement

Date: May 12, 2026 (EST)

Parties:

(i) the Initial Sponsor;

(ii) the Management Party and Mr. Sun's Entity;

(iii) the Parentco;

(iv) the Holdco;

(v) the Merger Sub; and

(vi) the Purchaser, as an Equity Investor

Subject of the transaction

The Interim Investors Agreement governs the actions of Parent Parties and the relationship among the parties thereto with respect to the Merger Agreement, the Equity Commitment Letter(s), the Support Agreement and the Limited Guarantees, and the transactions contemplated by each.

The key terms include, among other things:

(a) The Initial Sponsor may cause the Parent Parties to take any action or refrain from taking any action in respect of the Merger Agreement (including to comply with their obligations, satisfy their closing conditions or exercise their rights thereunder), provided, however, that the Initial Sponsor may not cause the Parent Parties to amend the Merger Agreement in a way that by its terms has an impact, economic or otherwise, on any Investor that is disproportionate to the impact, economic or otherwise, on the other Investors in a manner that is materially adverse to such Investor without such Investor's written consent. The Parent Parties shall not, and the Investors shall not permit them to, take any action with respect to the Merger Agreement (including determining to close the Merger) unless such action has been approved in advance in writing, after consultation with Mr. Sun in good faith, by the Initial Sponsor.

(b) The Parent Parties shall not, and the Initial Sponsor shall not permit them to: (i) modify or amend the Merger Agreement to increase or modify, in a manner materially adverse to the Parent Parties or the Investors, the form or amount of the Merger consideration or increase in any way the obligations under the Equity Commitment Letter(s); (ii) modify or waive, in a manner materially adverse to the Parent Parties or the Investors, any provisions of the Merger Agreement relating to the Parent Termination Fee or the aggregate cap on monetary damages recoverable by Cloopen; (iii) otherwise modify or amend any material terms and conditions of the Merger Transaction Documents, or (iv) materially modify the structure of the transactions under the Merger Transaction Documents, except with the prior written consent of the Initial Sponsor and, in each case of (i) and (ii), except with the prior written consent of the Initial Sponsor and Mr. Sun.

In the event that the Initial Sponsor determines to proceed with any of such action and any Investor (a "**Non-Consenting Investor**") declines to provide its consent thereto, the Initial Sponsor may nevertheless proceed with such action by terminating such Non-Consenting Investor's participation in the transactions under the Merger Transaction Documents (and such Non-Consenting Investor shall be released of its obligations under the Interim Investors Agreement, its applicable Equity Commitment Letter, its applicable limited guarantee and the Support Agreement (if applicable) or receive an indemnity in respect thereof). Upon the termination of a Non-Consenting Investor's participation in the Merger transactions, the Initial Sponsor may, at its sole discretion, offer the amount of such Non-Consenting Investor's commitment to one or more remaining Investors and/or one or more new investors, on terms and conditions determined by the Initial Sponsor.

(c) Notwithstanding anything to the contrary in this Agreement or any other Merger Transaction Document (including the Equity Commitment Letter(s)), the Initial Sponsor may, at its discretion and from time to time prior to the Merger Closing, adjust the amount of equity commitment of any Equity Investor on the terms and subject to the conditions set forth in the applicable Equity Commitment Letter, provided that the Initial Sponsor may not (subject to certain exceptions) (i) increase the amount of equity commitment of any Equity Investor without such Equity Investor's prior written consent or (ii) effect any such adjustment if such adjustment would, when taken together with all other such adjustments, result in the aggregate amount of the equity commitments to be less than the required equity funding amount.

(d) In the event that, after all adjustments made, the aggregate amount of equity commitments is less than the required equity funding amount, then the Initial Sponsor may, at its discretion, offer to any Equity Investor or any new investor(s), the opportunity to provide additional equity commitments and/or, in case of new investor(s), equity rollovers, and in such manner as may be determined by the Initial Sponsor, provided that any such additional equity commitment and/or equity rollover shall be on terms and conditions substantially the same as the terms and conditions of the existing equity commitment or rollover commitment.

(e) Each Investor (or its affiliate) that is a guarantor under a Limited Guarantee shall, contribute to the amount paid or payable by other guarantors in respect of the Limited Guarantees (other than any such payment made by a guarantor solely arising from such guarantor's breach of its obligations under its Limited Guarantee) so that each guarantor will have paid an amount equal to the product of the aggregate amount paid under all of the Limited Guarantees multiplied by a fraction of which the numerator is such guarantor's Cap (as defined in such guarantor's Limited Guarantee) and the denominator is the sum of all guarantors' Caps.

(f) Each Investor agrees to negotiate in good faith with the other Investors with respect to, and enter into, concurrently with the Merger Closing, a shareholders agreement containing customary terms including and consistent with the term sheet of such shareholders agreement set forth in the Interim Investor Agreement. Key terms in the shareholders agreement term sheet include customary terms on board representation at Holdco and Parentco; decision making mechanisms by shareholders and the board at Holdco and Parentco; certain reserved matters for the Management Party at Holdco, Parentco and Cloopen Group; pre-emptive rights, restriction on transfer, right of first offer or refusal, tag-along rights, drag-along rights and information rights applicable to the shareholders of the Holdco and Parentco; the repayment of debt financing by Parentco; and non-compete on the part of the Management Party. In terms of board representation at each of Holdco and Parentco, the Purchaser shall be entitled to appoint one director out of not more than five directors; the Initial Sponsor and its affiliates collectively shall be entitled to appoint three directors; and the Management Party shall be entitled to appoint one director.

Conditions and Closing of the Merger

According to the Merger Agreement, the Merger Closing shall take place no later than the 15th business day following the day on which the last of the closing conditions set out in the Merger Agreement (other than those conditions that by their nature are to be satisfied at the Merger Closing) is satisfied or, if permissible, waived, or at such other date or place or time as may be mutually agreed to in writing between Cloopen and Holdco (the date on which the Merger Closing takes place, the "**Closing Date**").

The conditions to the Merger Closing ("**Closing Conditions**") are summarized as follows:

(a) The Merger Agreement, the plan of merger, the post-closing memorandum and articles of association and the consummation of the transactions under the Merger Transaction Documents shall have been authorized and approved by Cloopen Shareholders constituting the requisite company vote (that is, the affirmative vote of at least two-thirds of the votes cast by the Cloopen Shareholders present and voting in person or by proxy as a single class at the shareholders' meeting) at the relevant shareholders' meeting.

(b) No governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law or award, writ, injunction, determination, rule, regulation, judgment, decree or executive order, whether temporary, preliminary or permanent, which is then in effect or is pending or threatened, that has or would have the effect of enjoining, restraining, prohibiting or otherwise making illegal the consummation of the transactions under the Merger Transaction Documents.

(c) Certain representations and warranties of Cloopen being true and correct as of the date of the Merger Agreement and as of the Closing Date.

(d) Cloopen shall have performed or complied in all material respects with all agreements and covenants required by the Merger Agreement to be performed or complied with by it on or prior to the Closing Date.

(e) Holdco will have received a certificate, signed by a senior executive officer of Cloopen, certifying as to the satisfaction of certain Closing Conditions.

(f) Since the date of the Merger Agreement, there shall not have been any material adverse effect on the part of Cloopen or any event, change, or effect that would, individually or in the aggregate, reasonably be expected to have a material adverse effect on the part of Cloopen.

(g) The aggregate amount of the Cloopen Group's cash level immediately prior to the Closing shall be not less than US$85 million (or its RMB equivalent) and Cloopen shall have delivered to Holdco written evidence thereof.

(h) Certain representations and warranties of the Parent Parties being true and correct as of the date of the Merger Agreement and as of the Closing Date.

(i) The Parent Parties shall have performed or complied in all material respects with all agreements and covenants required by the Merger Agreement to be performed or complied with by it on or prior to the Closing Date.

(j) Cloopen will have received a certificate, signed by an officer of Holdco, certifying as to the satisfaction of certain Closing Conditions.

The respective obligations of each party to the Merger Agreement to consummate the Merger is subject to the satisfaction or waiver in writing in whole or in part by the Parent Parties and the Company (where permissible under applicable law) of the Closing Conditions in paragraphs (a) to (b) above at or prior to the Closing Date; the obligations of the Parent Parties to consummate the Merger are subject to the satisfaction or waiver in writing by Holdco (where permissible under applicable law) of the Closing Conditions in paragraphs (c) to (g) above at or prior to the Closing Date; and the obligations of Cloopen to consummate the Merger are subject to the satisfaction or waiver in writing by Cloopen of the Closing Conditions in paragraphs (h) to (j) above at or prior to the Closing Date. As of the Latest Practicable Date and as advised by Cloopen, none of the Closing Conditions has been fulfilled. If the Merger does not become effective on or before the date that is nine months after the date of the Merger Agreement, the Merger Agreement may be terminated by either Cloopen or Parentco.

On the Closing Date, Merger Sub and Cloopen shall execute a plan of merger and file it (and any other required documents) with the Registrar of Companies in the Cayman Islands, and make any other necessary filings in connection with the Merger.

The Merger shall become effective at such date and time as it is registered with the Registrar of Companies in the Cayman Islands (or at such later date as may be agreed by Cloopen and the Merger Sub but not later than the 90th day after the date of the registration of the plan of merger).

As of the Latest Practicable Date and based on the latest Schedule 13E-3 filing made by Cloopen with the SEC on June 2, 2026, it is currently expected that the Merger Closing will take place in the fourth quarter of 2026, after all the Closing Conditions have been satisfied or waived.

Following the Merger Completion and the Merger taking effect, and based on the expected utilization of the Commitment as of the Latest Practicable Date of approximately US$35,163,980, the Purchaser will hold approximately 49.79% of the equity interest in Parentco, which will in turn hold approximately 68.35% of the equity interest in Cloopen. As such, Cloopen will not become a subsidiary of the Company and its financial results will not be consolidated into the accounts of the Group.

3. BASIS OF CONSIDERATION OF THE TRANSACTION

The Purchaser's Commitment under the Agreements, the corresponding equity interest in the Parentco and the corresponding effective economic interest in Cloopen were determined after arm's length negotiations between the parties to the Agreements and were calculated based on the proposed purchase price of US$0.4940 per Cloopen Share (i.e. the Per Share Offer Price), or US$2.9641 per ADS, as set out in the Merger Agreement.

As set out in the Preliminary Proposal Letter dated December 22, 2025, the Per Share Offer Price of US$0.4940 per Cloopen Share, or US$2.9641 per ADS, represented a premium of 51.23% to Cloopen's closing price on the last trading day immediately preceding December 22, 2025 and a premium of 74.87% and 86.22% to the volume-weighted average closing price during the last 15 and 30 trading days immediately preceding December 22, 2025, respectively.

The Directors have determined that the Per Share Offer Price is fair and reasonable, and therefore the Commitment and the corresponding equity interest in the Parentco and the corresponding effective economic interest in Cloopen are fair and reasonable, mainly based on the following factors:

(a) Based on the audited consolidated financial statements of the Cloopen Group for the year ended December 31, 2025, the net book value (i.e. net asset value, calculated by subtracting the total liabilities from the total assets) of Cloopen as at December 31, 2025 was approximately RMB831.9 million, equivalent to approximately US$119.0 million. Based on the latest Schedule 13E-3 filing made by Cloopen with the SEC on June 2, 2026, the net book value per Cloopen Share as of December 31, 2025 was US$0.3516 (based on 316,554,332 Class A Cloopen Shares (excluding treasury shares) and 25,649,839 Class B Cloopen Shares outstanding as of that date and the RMB to U.S. dollars exchange rate of RMB6.9931 to US$1.00, representing the certificated exchange rate published by the Federal Reserve Board). The net book value and net book value per share of Cloopen are historical accounting figures that do not capture the surrounding market factors of the Proposed Privatization or the business potential of Cloopen, the Directors therefore believe the assessment of the fairness and reasonableness of the Per Share Offer Price would be inadequate if it only or primarily considers these figures; greater weight should be given to the other factors detailed in the remainder of this list below.

(b) The historical financial performance of Cloopen. Based on the audited consolidated financial statements of Cloopen prepared in accordance with the U.S. GAAP, in each of the years ended December 31, 2023, 2024 and 2025, it recorded a revenue of RMB571.0 million, RMB573.6 million and RMB535.7 million, respectively, growing at 0.46% year-on-year in 2024 and decreasing at 6.61% year-on-year in 2025; it also recorded net losses of RMB412.4 million, RMB146.8 million and RMB238.8 million, respectively, decreasing by 64.39% year-on-year in 2024 and increasing by 62.67% year-on-year in 2025. In order to better reflect the operational performance of its business, Cloopen recorded adjusted EBITDA which was defined as net loss excluding depreciation and amortization, interest income, income tax benefit, share-based compensation, investment income, impairment loss of long-term investments, other operating income, (gains)/losses from disposal of subsidiaries, net, share of (gains)/losses of equity method investments, and foreign currency exchange (gains)/losses, net. The adjusted EBITDA was negative RMB405.5 million, negative RMB225.4 million, and negative RMB227.4 million, respectively, decreasing by 44.4% year-on-year in 2024 and relatively stable in 2025. Even though Cloopen has recorded net losses in the last three financial years, the Company believes its financial performance has been improving as its net loss level and adjusted EBITDA in the last two financial years have narrowed significantly as compared with that in 2023, while its revenue remained relatively stable, showing consistent customer demand.

The Company noted that, the Cloopen Group's strong customer demand was particularly well supported by its large-enterprise customers. According to Cloopen's management discussion and analysis extracted in Appendix IV, the number of its large-enterprise customers remained relatively stable at 121, 114 and 102 in each of 2023, 2024 and 2025, which contributed approximately 67.0%, 68.7% and 70.1% of the Cloopen Group's revenues for each of 2023, 2024 and 2025. The Cloopen Group's dollar-based net customer retention rate in 2023, 2024 and 2025 also remained relatively stable, indicating healthy customer demand. According to Cloopen's management discussion and analysis extracted in Appendix IV, its dollar-based net customer retention rate in 2023, 2024 and 2025 in relation to solutions that it offers on a recurring basis was 85.8%, 74.6% and 76.7%, respectively, and the dollar-based net customer retention rate for active customers was 89.0%, 77.4% and 79.6%, respectively.

Further, the Company noted that, while the Cloopen Group's revenue and cost of revenue remained relatively stable from 2023 to 2025, its operating expenses experienced substantial decrease from 2023 to 2025, and the main reasons for the substantial decrease were, according to Cloopen's management discussion and analysis extracted in Appendix IV:

"Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Operating expenses

- *Research and development expenses. Our research and development expenses decreased by 21.4% from RMB177.0 million in 2024 to RMB139.1 million (US$19.9 million) in 2025, primarily due to the decrease in R&D staff expenses resulting from decreases in the headcount of and the compensation level for our R&D personnel.*

- *Selling and marketing expenses. Our selling and marketing expenses decreased by 24.0% from RMB187.3 million in 2024 to RMB142.3 million (US$20.3 million) in 2025, primarily due to (1) a 23.7% decrease in staff expenses of RMB27.8 million (US$4.0 million), mainly due to decreases in the headcount of and the compensation level for our sales and marketing personnel, (2) a 27.4% decrease in market development and operational expenses of RMB10.7 million (US$1.5 million), mainly due to our expenses control measures, and (3) a 29.6% decrease in share-based compensation expenses of RMB3.3 million (US$0.5 million), mainly due to a decrease in amortized expenses as the options vested.*

- *General and administrative expenses. Our general and administrative expenses increased by 18.3% from RMB93.9 million in 2024 to RMB111.1 million (US$15.9 million) in 2025, primarily due to (1) a 35.4% increase in staff expenses of RMB19.0 million (US$2.7 million), mainly due to increase in headcount of management personnel, partially offset by a 24.6% decrease in professional service fees of RMB6.7 million (US$1.0 million).*

...

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Operating expenses

- *Research and development expenses. Our research and development expenses decreased by 20.5% from RMB222.5 million in 2023 to RMB177.0 million in 2024, primarily due to (1) a 24.5% decrease in the R&D staff expenses of RMB43.7 million (US$6.0 million), mainly due to decreases in the headcount of and the compensation level for our R&D personnel, and (2) a 32.0% decrease in lease expenses of RMB2.7 million, which was in line with the reduced R&D headcount.*

- *Selling and marketing expenses. Our selling and marketing expenses decreased by 17.7% from RMB227.5 million in 2023 to RMB187.3 million in 2024, primarily due to (1) a 26.2% decrease in staff expenses of RMB41.5 million, mainly due to decreases in the headcount of and the compensation level for our sales and marketing personnel, and (2) a 8.7% decrease in spending on advertising campaigns and marketing activities of RMB3.7 million, mainly due to our expenses control measures.*

- *General and administrative expenses. Our general and administrative expenses decreased by 50.9% from RMB191.1 million in 2023 to RMB93.9 million in 2024, primarily due to (1) a 61.4% decrease in the service fees paid to third parties of RMB43.1 million, mainly due to the settlement of the Class Action in 2023, (2) a 16.9% decrease in staff expenses of RMB10.9 million, mainly due to decreases in the headcount of and the compensation level for our management and administrative personnel, (3) a 79.4% decrease in share-based compensation expenses of RMB13.5 million, mainly due to a decrease in amortized expenses as the options vested, and (4) a significant decrease in allowance for doubtful accounts of RMB20.3 million.*

..."

The Directors consider that, the cost saving measures taken by Cloopen were able to effectively decrease its operating expenses while maintaining the revenues at a stable level, thereby contributing to the substantial improvement in its net losses in 2024 and 2025 compared with those in 2023.

For the complete audited consolidated financial information of the Cloopen Group for the years ended December 31, 2023, 2024 and 2025, please refer to Appendix II to this circular; for the management discussion and analysis of the Cloopen Group's results prepared by its board of directors for the same years, including discussions on the reasons and drivers for its performance, please refer to Appendix IV of this circular.

Additionally, as disclosed in the latest Schedule 13E-3 filing made by Cloopen with the SEC on June 2, 2026, it is expected that there will be a reduction of its costs and administrative burden associated with operating as a publicly traded company, including the costs associated with regulatory filings and compliance requirements; such cost savings will directly benefit the investors in the Proposed Privatization following the Merger Closing, and will be recurring in nature if and for so long as Cloopen remains private. The Company believes this would contribute to the improvement of the profitability of the Cloopen Group going forward.

Considering: that the Cloopen Group has been implementing effective cost saving measures, contributing to the improvement in its net losses in 2024 and 2025 narrowed compared with those in 2023 while maintaining its revenues at a relatively stable level supported by healthy customer demand; Cloopen's leading position in the cloud based communication service provider industry in China (noting that it had over six thousand customers as of December 31, 2025, including over 102 large-enterprise customers); its award-winning technologies (further discussed in the section headed "Reasons for and Benefits of the Transaction"); and the expected cost saving resulting from Cloopen becoming a private company, the fact that the Cloopen Group has recorded net losses does not negate its assessment that the terms of the Transaction, including the Per Share Offer Price, are fair and reasonable.

The historical financial performance of the Cloopen Group does not fully capture the surrounding market factors of the Proposed Privatization or the business potential of Cloopen. The Directors therefore also took into account, in the assessment of the fairness and reasonableness of the Per Share Offer Price, the valuation analysis of comparable companies to Cloopen, privatization price premium analysis in comparable take-private transactions, and future business benefits Cloopen can bring to the Group (i.e. factors listed in paragraphs (c) to (e) below).

(c) The valuation of certain comparable companies to Cloopen which are listed in the United States, details of which are set out in the section headed "Basis of Consideration of the Transaction – Valuation of comparable companies" below.

(d) The privatization price premium in certain comparable take-private transactions in the United States to the Proposed Privatization, details of which are set out in the section headed "Basis of Consideration of the Transaction – Privatization Price Premium" below.

(e) The factors set out in the section headed "Reasons for and Benefits of the Transaction" below.

The Group intends to finance the consideration by its own funds and/or financing, including HK$63.0 million from the net proceeds from the Company's Global Offering, HK$12.9 million from the net proceeds from the Top-up Subscription, and the remaining amount from the Company's internal cash resources. The table below shows the breakdown and the expected timeline for the application of the remaining proceeds from the Global Offering and Top-up Subscription after the payment of the consideration for the Transaction:

Planned use of the Net Proceeds	**Unutilized amount as of December 31, 2025** *(HK$ million)*	**Net Proceeds to be applied towards the Transaction** *(HK$ million)*	**Expected timeline for full utilization of the remaining Net Proceeds**
Global Offering			
1. To develop new applications and new service modules	100.5	–	December 31, 2026
2. For talent acquisition associated with the expansion of our operations	44.3	–	December 31, 2026
3. To selectively pursue strategic cooperation, investments and acquisitions that are complementary to our organic growth strategies, particularly those that can complement our product offerings, strengthen our technology capabilities, and solidify our market position	63.0	63.0	–
4. To expand our sales network and further strengthen our brand reputation	0	–	–
5. For working capital and general corporate purposes	0	–	–
Total:	**207.8**	**63.0**	
Top-up Subscription			
1. For loan repayments	0	–	December 31, 2026
2. For further expansion of existing business and product upgrades	46.6	–	December 31, 2026
3. For other general expenditures	12.9	12.9	–
4. Investments in the AI sector, specifically including but are not limited to: 1) AI talent acquisition and native application R&D: strengthen the recruitment of AI specialists and the development of AI R&D teams, with a focus on developing next-generation AI-native products. We aim to create AI retail agents covering core scenarios such as merchandise management and store operations; 2) AI-driven product evolution and R&D efficiency enhancement: drive the deep integration of AI with existing operations, continuously advance the upgrading of our intelligent OS products, and simultaneously implement an AI-native re-engineering of R&D and delivery processes to comprehensively enhance R&D and delivery efficiency; 3) AI computing power and cloud infrastructure investment: invest in AI computing power, cloud service resources, and related infrastructure operations and maintenance	193.9	–	December 31, 2026
Total:	**253.4**	**12.9**	

Valuation of comparable companies

In order to assess the reasonableness of the Per Share Offer Price in the Merger, the Company has conducted a survey on May 7, 2026 of the valuation of comparable companies to Cloopen that are also listed in the United States, and derived therefrom a reference equity value of Cloopen (i.e. the market approach).

The Company considers the market approach to be appropriate as it takes into account the impact of market conditions as Cloopen's securities are quoted and publicly traded in the United States. The Company does not consider the cost approach to be appropriate as it does not capture future earning potential of Cloopen; nor does the Company consider the income approach appropriate as it would involve detailed long-term financial forecasts that require a large number of underlying assumptions and significant uncertainties.

Valuation multiple adopted

The Company adopted enterprise value to last-twelve-month ("**LTM**") sales multiple ("**EV/Sales multiple**") as the valuation multiple in the comparison instead of P/S, P/E or P/B multiples, as EV-based multiples are capital structure-neutral and therefore provide a more consistent basis for comparison when there are significant variations in leverage and equity financing among peers. In contrast, P-based multiples such as P/S, P/E or P/B are derived from equity values and are therefore directly affected by a company's capital structure, including its debt levels, interest expenses, and tax position. As such, these multiples may not reflect the true operating performance of a business and can result in misleading comparisons when applied across companies with differing financial leverage.

Furthermore, EV/Sales multiple is considered particularly appropriate in the case of Cloopen given its substantial cash position. As at December 31, 2025, Cloopen held cash and cash equivalents (including cash, term deposits and short-term investments) of approximately US$128.0 million, which represents approximately 167% of its LTM revenue of approximately US$76.61 million. Since the P/S multiple is derived directly from market capitalization (equity value), applying P/S would attribute zero value to this significant cash balance, thereby materially underestimating the equity value of Cloopen.

It is considered that the EV/Sales Multiple is the most appropriate multiple, hence it is being adopted in this valuation.

Selection of comparable companies

To derive the EV/Sales multiple, the Company screened all publicly listed companies in the United States on Capital IQ (an independent financial intelligence tool provided by Standard & Poor's) applying the following selection criteria:

(a) The company is publicly listed and searchable in Capital IQ;

(b) The company is primarily listed on major stock exchanges in the United States;

(c) The company is primarily engaged in the provision of cloud based communication service provider (CSP) application or software; that is, the company falls under the "Application Software (primary)" industry classification in Capital IQ, and its business description in Capital IQ contains keywords such as "communication" and "customer engagement" which are related to the target company's business. Certain companies that met the foregoing criteria but whose primary businesses, upon a closer examination, were not consistent with that of Cloopen, were excluded; and

(d) The company falls within: (i) a revenue band that is 0.50x to 10.00x of Cloopen's LTM revenue. Cloopen's LTM Revenue as at December 31, 2025 was approximately US$76.61 million. The revenue band was therefore set at approximately US$38.30 million to US$766.05 million; or (ii) a market capitalization band of 0.50x to 10.00x of Cloopen's market capitalization as of December 31, 2025. Cloopen's market capitalization as at December 31, 2025 was approximately US$109.28 million. The capitalization band was therefore set at approximately US$54.64 million to US$1,092.76 million.

The Company considers the selection of comparable companies listed on major U.S. stock exchanges as fair and reasonable for the following reasons:

(1) The comparable companies were selected by reference to the capital market in which Cloopen's own securities are listed and traded – the United States – rather than the geography of underlying operations. Cloopen itself is a U.S.-listed company, and the valuation adopts the market approach because Cloopen's value is determined by how the U.S. capital market prices its securities. The most relevant peers are therefore companies listed and traded in the same market as Cloopen as they share the same investor base, market conditions, liquidity. PRC-specific market and regulatory dynamics are separately captured through the privatization-premium analysis of U.S.-listed Chinese companies, and assumptions of DLOM further mitigate any difference.

(2) No suitable comparable companies are available on the OTC market. The OTC market does not host a sufficient number of companies engaged in cloud communications or CPaaS services that are comparable to Cloopen in terms of business model, operational scale, and market positioning. In the absence of suitable OTC-listed peers, it was necessary and appropriate to extend the search to major U.S. stock exchanges where companies engaged in similar business activities are listed.

(3) The selected comparable companies on major U.S. stock exchanges share fundamental business comparability with Cloopen. The 7 final comparable companies (8x8, Inc., Agora, Inc., Braze, Inc., LivePerson, Inc., Ooma, Inc., RADCOM Ltd. and Weave Communications, Inc.) operate in the same or closely related industries, provide similar cloud-based communications services, and are exposed to comparable market drivers and competitive dynamics. The Company therefore considers these companies as an appropriate peer group for deriving market-based valuation multiples, notwithstanding the difference in listing venue.

(4) Adjustments are adopted to further capture the difference in marketability of Cloopen and the comparable companies. Discount for lack of marketability ("**DLOM**") was considered when estimating Cloopen's equity value. Details are discussed in 'Adjustments adopted' section.

Comparable companies

By applying the above criteria, seven comparable companies were identified. The details of those companies, based on information available on Capital IQ, are set out as follows:

Comparable Company (Name in English)	**Business Description**	**Ticker**	**LTM EV/ Sales Multiple (times)**
8x8, Inc.	8x8, Inc. provides contact center, voice, video, chat, and enterprise-class application programmable interface (API) solutions worldwide.	NasdaqGS: EGHT	0.79
Agora, Inc.	Agora, Inc., through its subsidiaries, engages in the operation of a real-time engagement platform-as-a-service in the United States, the People's Republic of China, and internationally.	NasdaqGS: API	1.93
Braze, Inc.	Braze, Inc. operates a customer engagement platform that provides interactions between consumers and brands worldwide.	NasdaqGS: BRZE	5.12
LivePerson, Inc.	LivePerson, Inc. operates as a digital customer conversation in the United States, Canada, Latin America, South America, Europe, the Middle East, Africa, and the Asia-Pacific.	NasdaqGS: LPSN	1.40

Comparable Company (Name in English)	Business Description	Ticker	LTM EV/ Sales Multiple (times)
Ooma, Inc.	Ooma, Inc. provides communications services and related technologies for businesses and consumers in the United States and Canada.	NYSE: OOMA	1.19
RADCOM Ltd.	RADCOM Ltd. provides cloud-native and 5G-ready network intelligence solutions for communication service providers (CSPs).	NasdaqCM: RDCM	1.56
Weave Communications, Inc.	Weave Communications, Inc. operates an AI-powered patient communications, engagement, and payments platform for small and medium-sized healthcare businesses.	NYSE: WEAV	2.36

Set out below are the market capitalization and LTM revenue for each of the seven selected comparable companies as at December 31, 2025:

Ticker	Company Name	Market Cap (USDm)	Revenue (USDm)
NasdaqGS: EGHT	8x8, Inc.	273.1	727.5
NasdaqGS: API	Agora, Inc.	365.6	141.1
NasdaqGS: BRZE	Braze, Inc.	3,847.9	693.4
NasdaqGS: LPSN	LivePerson, Inc.	45.9	243.7
NYSE: OOMA	Ooma, Inc.	320.4	264.1
NasdaqCM: RDCM	RADCOM Ltd.	214.6	71.5
NYSE: WEAV	Weave Communications, Inc.	592.2	239.0

The Company's initial screening using Capital IQ's Comparable Data Screening Tool was exhaustive. The Company identified all companies in the database satisfying these quantitative criteria, yielding 55 companies. The Company then applied a further keyword-based business-comparability filter to each company's Capital IQ business description, retaining only companies whose descriptions contained terminology representative of cloud-communications and customer-engagement activities – such as "Customer engagement", "Business communications" and "Messaging" – and excluding companies whose descriptions fell within unrelated markets such as financial services, automotive and devices. Applying this filter, 48 companies were excluded because their primary businesses were not comparable to Cloopen's cloud-communications/customer-engagement platform model, yielding the 7 final comparable companies. The Company considers that the selection process – comprising an exhaustive quantitative screening followed by an objective, keyword-based business comparability assessment – is fair and reasonable, and that the 7 selected comparable companies provide a representative and adequate sample for valuation purposes. The detailed inclusion and exclusion keywords applied in the business-comparability filter are set out in the table below:

(a) Inclusion criteria – The company's business description contains at least one keyword from the following categories aligned with Cloopen's core CPaaS operations:

Category	**Keywords**
Customer interaction platforms	Customer engagement and its synonyms (e.g., contact centre, customer care, customer conversation)
Communication services	Business communications and its synonyms (e.g., communication services, communication capabilities, service providers)
Messaging and billing infrastructure	Messaging and its synonyms (e.g., SMS)

(b) Exclusion criteria – The company's business description does not contain any of the following keywords indicating a material deviation from Cloopen's software platform model

Category	**Keywords**
Financial services	"financial services"
Automotive	"automotive"
Hardware/devices	"devices"

Adjustments adopted

*Discount for lack of marketability ("**DLOM**")*

As Cloopen is currently traded on the OTC market while the selected comparable companies are primarily listed on major stock exchanges in the United States, adjustments are adopted for this difference in marketability.

The concept of marketability deals with the liquidity of the interest owned, that is how quickly and easily it can be converted to cash if the owner chooses to sell. Considering the ADSs of Cloopen are quoted on the OTC market in the United States and trading is inactive with lack of liquidity, the Company considered a DLOM of 15.70% to be appropriate. This number comes from the 2025 edition of the Stout Restricted Stock Study Companion Guide by Stout Risius Ross, which looked at 783 private placement transactions by publicly traded companies from July 1980 through March 2025. The discount was calculated as the difference between the private placement price and the market reference price, divided by the market reference price. The DLOM adjustment directly quantifies and eliminates the liquidity premium associated with exchange-listed shares.

Key Assumptions

The following key assumptions were made:

(a) There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of Cloopen;

(b) The operational and contractual terms stipulated in the relevant contracts and agreements of Cloopen in its business will be honoured;

(c) Save for matters publicly disclosed by Cloopen, there has been no material adverse change in the financial position, operational performance and business outlook of Cloopen since December 31, 2025;

(d) Cloopen possesses all the operating licenses required (if any);

(e) There are no hidden or unexpected conditions associated with Cloopen that might adversely affect the assessed valuation; and

(f) There are no significant changes in market conditions after May 7, 2026.

(g) The Company has reviewed Cloopen's official website, SEC filings and stock exchange announcements as part of its due enquiry. It is assumed that there is no material information that has not been publicly disclosed which would affect the valuation of Cloopen, including but not limited to any material adverse change in its financial, operational or business position, or any material restriction, suspension or revocation of its operating licenses, as at May 7, 2026.

View of the Board on the valuation of Cloopen and of comparable companies

Based on the above survey, the Company noted that the LTM EV/Sales multiples of the comparable companies to Cloopen are in the range of 0.79x to 5.12x, for the purpose of assessing the reasonableness of the Per Share Offer Price, the Company adopted an LTM EV/Sales multiple of 0.79x, being the low end of the range of the comparable companies, as a conservative reference multiple.

The Company also estimated the 100% equity value of Cloopen to be approximately US$158.7 million, based on: (i) an enterprise value of Cloopen of approximately US$60.5 million, which is calculated based on a LTM EV/Sales multiple of 0.79x drawn from comparable companies and Cloopen's revenue for the year ended December 31, 2025; (ii) on top of the said enterprise value, adding back Cloopen's cash and cash equivalents (including cash, term deposits and short-term investments) of approximately US$128.0 million and adjusting for non-controlling interests of approximately US$1.35 million (all as of December 31, 2025), and subtracting operating lease liabilities (current and non-current) of approximately US$1.7 million (as of December 31, 2025), which gives rise to an equity value of approximately US$188.2 million; and (iii) adjusting the said equity value for the lack of marketability by applying the DLOM of 15.7%, which gives the resulting equity value of approximately US$158.7 million. Dividing US$158.7 million by 324,121,401 issued and outstanding Cloopen Shares as of May 26, 2026, the equity value per Cloopen Share is US$0.4895. The Company noted that this is generally commensurate to the Per Share Offer Price of US$0.4940 per Cloopen Share in the Merger.

The Directors have reviewed the above valuation of Cloopen (including the key assumptions) and the comparison with the valuation of the comparable companies and noted no irregularities. Based on the above, the Directors have determined that the proposed purchase price in the Merger is fair and reasonable, and therefore the Commitment and the corresponding equity interest in the Parentco and the corresponding effective economic interest in Cloopen, are fair and reasonable.

Privatization price premium

A privatization price premium is the premium an investor is willing to pay in addition to the current market price of the listed securities of a public company to the minority shareholders in order to buy them out and take the public company private. As set out in the Preliminary Proposal Letter dated December 22, 2025, the Per Share Offer Price of US$0.4940 per Cloopen Share, or US$2.9641 per ADS, represented a premium of 51.23% to Cloopen's closing price on the last trading day immediately preceding December 22, 2025 and a premium of 74.87% and 86.22% to the volume-weighted average closing price during the last 15 and 30 trading days immediately preceding December 22, 2025, respectively.

In order to assess the reasonableness of the privatization price premium in the Proposed Privatization, the Company surveyed privatization transactions of Chinese companies listed in the United States and comparable privatization transactions of foreign SaaS companies, in each case the first announcement date of which fell during the period from January 1, 2023 to May 7, 2026 (the "**Reference Period**"), comprising a total of 12 U.S.-listed Chinese companies and 5 U.S.-listed non-Chinese companies in the SaaS/software sector.

The Company considers the reference period from 2023 to May 7, 2026 as fair and representative for the following reasons: (1) Recency and Market Condition Relevance – The Reference Period captures privatization transactions executed under macroeconomic conditions broadly comparable to the current environment. The U.S. Federal Reserve's rate hiking cycle culminated in July 2023 at 5.25%–5.50%, where rates have since remained – a sustained high-rate plateau distinct from the near-zero rate environment of 2020–2021. Transactions prior to 2023 therefore occurred in a materially different interest rate environment. (2) Sufficient Transaction Volume – The Reference Period provides a meaningful sample size, comprising 17 privatization transactions, enabling reliable statistical analysis of premium levels whilst avoiding outdated data that may not reflect current market expectations.

The said scope was determined as it takes into account the common business and market risks and conditions shared by Chinese companies listed in the United States, and those shared by companies with similar business in the same industry as Cloopen.

From the 17 transactions, the Company further excluded the privatization of First High-School Education Group Co., Ltd. first announced in November 2024, as its premium (premium of approximately 354.5% over the closing price on the last trading day immediately prior to the announcement, and approximately 320.7% over the 30-trading-day average price) is significantly higher than the premiums in the other transactions, which constitutes a statistical outlier. Details of the selected 16 comparable transactions are set out as follows:

Take-private transactions summary

Company Name in English	Ticker	Industry	Business Description	Date of first announcement	Price Premium over closing price on the day before the date of first announcement	Price Premium over 30-day average closing price before the date of first announcement
Lakeshore Biopharma Co., Ltd.	LSBCF/LSBWF	Biopharmaceuticals	A company engaged in vaccines and therapeutic biologics, with businesses involving the research and development, manufacturing and commercialization of vaccines for infectious diseases and biologics.	2025/11/4	15.40%	16.60%*(Note 1)*
Bright Scholar Education Holdings Ltd	BEDU	Education services	A global education services company providing international and bilingual schools, extracurricular education and related educational services.	2025/10/13	47.40%	39.40%

Company Name in English	Ticker	Industry	Business Description	Date of first announcement	Price Premium over closing price on the day before the date of first announcement	Price Premium over 30-day average closing price before the date of first announcement
Smart Share Global Ltd	EM	Consumer technology/shared charging	"Energy Monster", a mobile device charging service provider in China.	2025/8/1	74.80%	68.10%
OneConnect Financial Technology Co., Ltd.	OCFT/6638.HK	Fintech	A financial technology company within the Ping An Group ecosystem, providing digital solutions to financial institutions.	2025/5/15	72.33%	131.66%
Dada Nexus Ltd	DADA	Local on-demand retail/delivery	A local on-demand retail and on-demand delivery platform in China, with businesses related to JD Daojia and Dada Now.	2025/4/1	42.00%	Not disclosed
BEST Inc.	BEST	Logistics/supply chain	A comprehensive smart supply chain and logistics service provider in China and Southeast Asia.	2024/6/20	25.20%	28.70%
Hollysys Automation Technologies Ltd	HOLI	Industrial automation	A China-based provider of automation control system solutions, with businesses covering industrial automation, rail transportation signaling control, SCADA systems, and related software, hardware and services.	2023/12/11	42.00%	Not disclosed
iClick Interactive Asia Group Limited	ICLK	Cloud platform	A China-based enterprise and marketing cloud platform company providing brand customers with full-stack consumer lifecycle solutions and data-driven marketing technology services.	2023/11/24	3.30%	20.00%(Note 2)

Company Name in English	Ticker	Industry	Business Description	Date of first announcement	Price Premium over closing price on the day before the date of first announcement	Price Premium over 30-day average closing price before the date of first announcement
Genetron Holdings Limited	GTH	Precision medicine/ tumor detection	A precision tumor diagnosis and treatment platform company in China, with businesses including molecular testing, early screening and companion diagnostics.	2023/10/11	15.00%	21.00%
Chindata Group Holdings Limited	CD	Data center	A hyperscale data center operator in the Asia-Pacific region, providing infrastructure for cloud computing and large internet customers.	2023/8/11	42.60%	48.70%
Zhangmen Education Inc.	ZMENY	Online education	An online education company in China, providing online tutoring and quality education services for students.	2023/7/28	Not disclosed	115.00%
Zuora	ZUO	Subscription economy software, revenue monetization, enterprise SaaS	Providing subscription billing, revenue management, pricing, payment collection and monetization software for enterprises with subscription and complex revenue models.	2024/4/16	18.06%	na
Smartsheet	SMAR	Enterprise collaboration software, work management SaaS	An enterprise-level work management and collaboration platform, helping enterprises manage projects, processes, automation, and cross-team collaboration.	2024/7/17	16.00%	41.00%
Squarespace	SQSP	Website building, digital business tools, SaaS	An online website building and digital operation platform for small and medium-sized enterprises, creators and brand merchants, providing tools such as website templates, domain names, e-commerce, marketing, bookings, payments and content management.	2024/5/10	15.00%	29.00%

Company Name in English	Ticker	Industry	Business Description	Date of first announcement	Price Premium over closing price on the day before the date of first announcement	Price Premium over 30-day average closing price before the date of first announcement
Qualtrics	XM	Data analysis, analytics automation, enterprise software	Providing data preparation, data analysis, machine learning modeling and automated analysis tools, primarily serving enterprise data teams as well as personnel engaged in financial analysis, operations analysis and business analysis.	2023/1/25	62.00%	73.00%
Duck Creek	DCT	Experience management software, customer and employee experience, enterprise SaaS	Providing an experience management platform to help enterprises collect and analyze customer, employee, product and brand experience data for satisfaction, NPS, surveys, customer feedback and employee engagement management.	2023/1/9	46.00%	64.00%
Average					35.8%	53.6%
Median					42.0%	41.0%
Cloopen					51.2%	86.2%

Note:

1. The issuer did not disclose a premium over the 30-day average closing price; the figure shown is the premium over the 15-day average closing price, being the closest available measure publicly disclosed.

2. The issuer did not disclose a premium over the 30-day average closing price; the figure shown is the premium over the 90-day volume-weighted average closing price, being the closest available measure publicly disclosed.

The 16 selected privatization transactions were chosen from two complementary categories to provide a comprehensive benchmark for assessing the fairness of the Proposed Privatization premium:

(A) U.S.-listed Chinese company privatization transactions (11 transactions) – These companies were previously listed on U.S. stock exchanges and subsequently undertook privatization transactions. Whilst these companies operate in diverse industry sectors (biopharma, education, consumer technology, fintech, logistics, healthcare etc.), they all share the common experience of being Chinese companies listed on U.S. stock exchanges, and as such, their valuations have historically demonstrated broad convergence in response to common macro-level market drivers – including U.S.-China regulatory developments, shifts in investor sentiment towards Chinese equities, and the liquidity characteristics of the U.S. capital markets for Chinese issuers. These shared market dynamics, together with similar transaction structures, shareholder approval requirements and regulatory considerations, make them broadly comparable to Cloopen from a capital-market and transaction-dynamics perspective.

(B) U.S.-listed non-Chinese SaaS/software company privatization transactions (5 transactions) – These companies, namely Zuora, Smartsheet, Squarespace, Qualtrics and Duck Creek Technologies, are U.S.-listed enterprise software/SaaS companies that have undergone privatization transactions. Although they are not Chinese companies, they provide relevant reference points for valuation purposes as publicly traded SaaS/software businesses with cloud-delivered products, recurring or subscription-based revenue models, and enterprise or business customer bases. This operational comparability supports that the privatization premiums observed for these companies reflect industry-specific valuation norms applicable to the SaaS/cloud communications sector, providing a relevant business-model benchmark that complements the Chinese-company dataset. By combining these two categories, the Company ensures that the premium analysis captures both the unique market dynamics and regulatory considerations applicable to U.S.-listed Chinese companies and the industry-specific valuation norms of the SaaS/software sector. The Company considers this dual-track approach provides a more robust and comprehensive basis for assessing the fairness of the Proposed Privatization premium than relying on either category alone.

The Company confirms that the list of selected transactions was compiled on an exhaustive basis, to the best of the Company's knowledge and after making all reasonable efforts, based on the selection criteria adopted for the premium analysis. In preparing the list, the Company conducted a thorough search of publicly announced privatization transactions during the Reference Period from 2023 to May 7, 2026, covering (i) U.S.-listed Chinese company privatization transactions and (ii) U.S.-listed enterprise software/SaaS company privatization transactions. The Company reviewed publicly available information from regulatory filings, company announcements, stock exchange announcements, press releases and recognized financial information sources. Based on such review, the Company included all readily identifiable transactions that satisfied the selection criteria and for which sufficient public information was available to verify the relevant transaction premium and key transaction terms.

Based on the above survey of comparable transactions, the privatization price premium based on the closing price on the date immediately prior to the first announcement ranged from 3.3% to 74.8%, with an average of 35.8% and a median of 42.00%. The privatization price premium based on the 30-day average closing price immediately prior to the first announcement date ranged from 16.6% to 131.7%, with an average of 53.6% and a median of 41.0%. The Company noted that the privatization price premium for the Proposed Privatization is 51.23% based on the closing price on the date immediately prior to the first announcement date and 86.22% based on the 30-day average closing price immediately prior to the first announcement date. Both premium measures fall within the range observed for the comparable transactions.

The Company notes that both premium measures for the Proposed Privatization fall within the range observed for the comparable transactions and remain below the respective maximum of 74.8% based on the closing price and 131.7% based on the 30-day average closing price. This positioning at the upper end of the range can be explained by the trading characteristics of the ADSs. The ADSs of Cloopen are quoted on the OTC market, which is characterised by limited liquidity and limited market-maker activity compared to those companies listed on major securities exchange. These conditions constrain market participants price discovery and have resulted in the stock trading at a depressed level.

The premiums observed in recent OTC-market privatizations provide direct support for this position. For instance, the going-private transaction of First High-School Education Group, although excluded from the average and median comparable transaction premium calculation, was quoted on the OTC market at the announcement of the going-private proposal, with a premium of approximately 354.5% over the closing price and 320.7% over the 30-day average closing price. Similarly, Zhangmen Education Inc., also quoted on the OTC market, was privatized at a premium of approximately 115% over the 30-day average closing price. LakeShore Biopharma Co., Ltd., also quoted on the OTC Pink market, is another recent case, though its going-private transaction remains subject to completion. These precedents illustrate that materially elevated premiums are a recognized feature of OTC-market privatizations and reflect the use of a depressed and illiquid trading benchmark, rather than an overstatement of value. Accordingly, a price premium in the high end of the comparable range is consistent with this depressed trading benchmark and is therefore considered reasonable.

The Directors have reviewed the above comparison of privatization price premium and consider the Per Share Offer Price in the Merger is fair and reasonable, and therefore the Commitment and the corresponding equity interest in the Parentco and the corresponding effective economic interest in Cloopen, are fair and reasonable.

4. REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company is one of the leading providers of AI retail agents in China and Asia, which offers a range of principal products and services designed to digitalize and optimize operations of the local retailers, while Cloopen is a leading multi-capability cloud-based communications solution provider in China, offering a full suite of cloud-based communications solutions, covering communications platform as a service (CPaaS), cloud-based contact centers, and cloud-based unified communications and collaborations.

According to the disclosures in the management discussion and analysis of the Cloopen Group's results in its U.S. equivalents of annual reports (which are extracted in Appendix IV to this circular), the Cloopen Group generates its revenues primarily from its CPaaS, cloud-based CC and cloud-based UC&C solutions; it generally charges its customers using its CPaaS solutions on a recurring basis, based on the monthly number of text messages and call minutes facilitated; it charges its customers using its cloud-based CC solutions deployed on public cloud on a recurring basis, with a combination of seat subscription fees and related resource usage fees; and it generally charges its customers using its cloud-based CC solution deployed on private cloud and cloud-based UC&C solutions on a project basis; its main costs of revenues (other than staff costs and rental and others) are costs of telecommunications resources, outsourcing costs and infrastructure and equipment costs; costs of telecommunications resources represent fees the Cloopen Group pays to mobile network operators based on the number of texts and minutes of voice calls it subscribed for; it also outsources certain parts of the solution delivery and incurs outsourcing costs; and infrastructure and equipment costs relate to its use of servers and its purchase of hardware and equipment to support its solutions. For more detailed discussions of Cloopen's business model prepared by the board of directors of Cloopen, including but not limited to its revenue generating model, customer base, business outlook and risks, please refer to the management discussion and analysis of the Cloopen Group's results as extracted in Appendix IV to this circular.

The below is an extract from Cloopen's U.S. equivalent of an annual report for the year ended December 31, 2025, outlining its business positioning, customer base and value propositions to its customers:

> *"We are a leading multi-capability cloud-based communications solution provider in China offering a full suite of cloud-based communications solutions, covering communications platform as a service, or CPaaS, cloud-based contact centers, or cloud-based CC, and cloud-based unified communications and collaborations, or cloud-based UC&C. We serve a diverse and loyal customer base consisting of enterprises of all sizes across a variety of industries, including internet, telecommunications, financial services, industrial manufacturing and energy.*
>
> *China's cloud-based communications industry is still in the early stages of development relative to more mature markets globally, and is experiencing significant transformation driven by rapid advancements in cloud and AI technologies. Enterprises in China increasingly focus on digital solutions and are adopting new technologies to improve the efficiency and quality of their intra- and extra-organizational communications. We believe that we are well-positioned to capitalize on this great opportunity in the emerging China market and continue to contribute to the growth of this market. As an industry pioneer, we have accumulated extensive expertise, and developed a variety of proprietary products and services characterized by quality and reliability, to enable seamless connectivity across telecommunications networks.*

We believe that we are well adapted to serve China's unique market dynamics, leveraging our deep-rooted experience in China's cloud-based communications industry and insights in the specific communications needs of domestic enterprises. With our comprehensive business portfolio and feature-rich solutions, we can accommodate the disparate demands of a broad range of customers across public and private clouds, from small- to medium-sized enterprises to large enterprises. We have developed a highly efficient product development ecosystem, which enables us to capture complex and evolving customer demands and develop new and enhanced features and products that continue to represent compelling value propositions across our customer base. Moreover, we have developed industry-specific solutions with targeted features and functionalities for players in a number of industries, making it efficient for us to scale expediently among enterprises within the same industries.

As of December 31, 2023, 2024 and 2025, we had an active customer base of 8,703, 7,529 and 6,151 enterprises, respectively, among which 121, 114 and 102 were large-enterprise customers, respectively. In 2023, 2024 and 2025, the dollar-based net customer retention rate in relation to solutions that we offer on a recurring basis was 85.8%, 74.6% and 76.7%, respectively, and the dollar-based net customer retention rate for active customers was 89.0%, 77.4% and 79.6%, respectively. We served 279, 337 and 339 customers for our project-based solutions in 2023, 2024 and 2025, respectively...

...

Our cloud-based communications solutions enable enterprises to transform their business operations with intelligent, efficient and effective intra- and extra-organizational communications. Our cloud-based communications solutions offer the following key benefits to our customers.

Convenient on-demand access to telecommunications resources. *Telecommunications networks have traditionally operated independently from the internet. Enterprises with large amounts of communications needs originating from their business operations often lack efficient and expedient access to the telecommunications resources, which are managed by the various mobile network operators, each serving a separate geographical region in China. Our solutions are designed to integrate these networks by pooling the telecommunications resources in our cloud-based infrastructure, centrally managing and distributing them to enterprises upon demand, thus allowing enterprises to access these resources at lower costs and with higher efficiency.*

One-stop communications solutions. *Our solutions are designed to satisfy all of our customers' various communications needs from text messaging to high-quality audio and video conferencing, and from cloud-based contact centers designed for effective customer service and acquisition to large-scale, multi-format unified communications across scattered worksites. We believe our comprehensive portfolio of offerings save our customers the hassle of seeking multiple providers for different communications needs, making us the go-to one-stop destination for the disparate demands of enterprises of all sizes, industries and stages of cloud adoption.*

Intelligent communications. *Leveraging our robust AI capabilities, we enable intelligent communications to help save labor costs, improve communications efficiency and achieve higher customer service quality and level of satisfaction. In particular, our AI-powered solutions greatly improve customer service effectiveness by automating certain tasks of contact center agents, monitoring service quality and offering real-time assistance. Our AI technologies also help our customers establish internal knowledge bases and deliver intelligent internal helpdesk services to streamline their business operations.*

Easy, rapid and scalable deployment. *Our solutions are software- and cloud-based, allowing for easy deployment and management across multiple locations and on multiple devices without substantial upfront investment in hardware and infrastructure. This software- and cloud-based nature also makes scalable deployment and upgrades possible as our customers expand their operations and communications needs.*

Seamless integration and flexible configuration. *Our solutions feature various APIs and SDKs to enable voice, messaging and other communications functions, which can be readily embedded into our customers' business systems and applications and physical infrastructure as building blocks. We also allow customizable options where customers may select communications functions based on their specific needs without having to purchase pre-packaged bundle of solutions.*

Reliable customer experience. *We have independently developed many of the core technologies underlying our solutions, which we believe enables consistently high service levels. In particular, our solutions are capable of maintaining stable and safe connections with over 99.95% uptime service level commitments even in cases of sudden spikes in the amount of simultaneous communications. In addition, our robust research and development capabilities and accumulated industry experience allow us to introduce new and enhanced features and functionalities to meet evolving customer needs amid dynamic market conditions. We also provide ongoing customer support and operation maintenance services to ensure superior customer experience."*

Cloopen's strong technical capabilities are well recognized in the industry and have received numerous awards. According to Cloopen's annual report for 2025 on Form 20-F: in 2023, it was awarded the "Co-Innovation Award" and "Best Support Award" by Guangfa Bank Credit Card Center; in 2024, People's Daily subsequently officially released the "2024 China AI Large Model Industry Development Report" and its Chitu Big Model was selected as the only financial industry big model among the typical representatives of big models in China; in 2025, its big model application Copilot & Agent was selected as one of the "Top 10 Chinese Agents with the Most Global Development Potential" in the "2024 China AI Agent Annual List" released by a leading international consulting firm in collaboration with Toubao Research Institute; in 2025, it was positioned in the Leaders Category in the "IDC MarketScape: China AI-Enabled Contact Center 2025 Vendor Assessment" report released by IDC; in addition, its "Financial Large Model Copilot & Agent Solution" won the Global Silver Award in the Financial Algorithm Track at the BPAA 5th Global Applied Algorithm Model Practice Paradigm Competition, guided by the Organizing Committee of the World Artificial Intelligence Conference and the People's Government of Putuo District, Shanghai.

The Company believes acquiring an equity stake in Cloopen through the Transaction is beneficial to the Company and its Shareholders as a whole for the following reasons:

- The acquisition will significantly strengthen the Company's strategic competencies in AI retail agents in multiple dimensions. First, it will bolster the Company's engineering delivery capabilities of AI retail agents. Leveraging Cloopen's proven track record in deploying AI industry agents across complex scenarios including finance, automotive and customer service sectors, the Company will gain mature and on-the-ground expertise in incorporating AI retail agents into actual business workflows. Second, the transaction will enhance the Company's capability to internalize the Company's extensive retail industry insights covering merchandise management, store operations, supply chain systems and headquarters governance into standardized, replicable AI retail agents assets. Cloopen's on-site agent development methodology enables efficient conversion of frontline retail expertise into structured knowledge bases, business rules, standardized processes and training materials. Third, the strategic collaboration with Cloopen will strengthen the Company's multi-client parallel delivery capacity going forward. Cloopen's extensive B2B service experience and delivery resources support rapid large-scale deployment across multiple customers, eliminating constraints from in-house manpower limits. This will not only streamline the execution of individual projects, but also bridge the capability gap in scaling AI retail agents from project-based pilots to standardized, replicable commercial expansion.

- The acquisition will deepen synergy with Cloopen in the Company's existing AI customer service business. As a leading player in AI customer service sector, Cloopen owns a comprehensive product portfolio including omni-channel contact centers, voice and text robots, and cloud-based call platforms, with industry-leading core AI technologies widely recognized by authoritative institutions such as China Academy of Information and Communication Technology (CAICT) through top-tier certifications and industry awards. Currently, the Company provides the retail clients with AI customer services, covering full-link customer service such as pre-sales, after-sales, business review management, and telemarketing.

- As Cloopen has strong capabilities in existing CPaaS cloud communications, AI customer service agents, and vertical large model applications, when combined with the Company's retail digitalization insights, it can improve the clients' satisfaction, boost revenue, improve the long-term commercialization through the following pathways: (i) lead to stronger AI store customer service capabilities and efficiencies and reduce the need for human customer service with AI Agents delivering 24/7 timely responses, improving the automatic response rate and enhancing customer satisfaction with after-sales service; (ii) with the development of integrated solutions combining AI store customer service, CPaaS cloud communications, and customer relationship management, it will enable proactive marketing outreach by AI customer service, intelligent recommendations, and intelligent outbound calls, thereby improving user retention rates, repurchase rates, and average order value, and increasing the Company's revenue from communications services and value-added services; (iii) leveraging on the complementary industry customer resources of both parties, the Company can further promote its core retail industry solutions and retail agent products and expand its reach to customers in the retail and consumer industries, including the existing retail brand customers of Cloopen, and further tap into single-customer value; and (iv) leveraging on the respective strengths of both parties' R&D and delivery teams, it can reduce duplicative product R&D and delivery costs, and lower cloud and computing power costs through joint procurement, which will help improve overall gross margin and productivity of the Company.

Prior to the Transaction, some of the Company's retail customers had already been using Cloopen's AI customer service products, and the Company and Cloopen had undertaken some integration between Cloopen's AI customer service products and the Company's Dmall OS in respect of some limited functions. Following the Transaction, the Company intends to deepen the cooperation with Cloopen in phases:

- *Phase 1:* The parties will first achieve technological integration, connecting Cloopen's multiple products, including AI customer service, intelligent outbound calling and data analytics, with the Company's Dmall OS, thereby forming a scalable integrated solution for "retail digital intelligence + AI customer service." From an engineering and R&D perspective, leveraging its experience in implementing AI agent products in industries such as finance, automotive, and consumer goods, Cloopen will support the Company in developing AI retail product agents and AI retail store operations agents, thereby improving the Company's development efficiency of AI application products.

- *Phase 2:* The Company will then implement and promote such AI retail product agents, AI retail store operations agents, and AI customer service. In this regard, Cloopen may provide further support as it has extensive B2B service experience and delivery resources, enabling it to support the rapid large-scale deployment of these products across multiple customer projects and enhance the Company's ability to deliver concurrently to multiple customers. The parties will also advance cross-selling of the integrated solution for "retail digital intelligence + AI customer service" in overseas markets, with a focus on Southeast Asia.

Based on the factors and analyses considered as set out in the section headed "Basis of Consideration of the Transaction" above, and Cloopen's long-term technological capabilities, customer value, industry position as well as the complementary contribution to the Company's business, the Board believes the terms of the Transaction, including the proposed price at which the Company will be able to acquire equity interest in Cloopen, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

None of the Directors has a material interest in the transaction contemplated under the Agreements or is required to abstain from voting on the Board resolution for considering and approving the same.

5. INFORMATION ON THE PARTIES

The Group

The Company is one of the leading providers of AI retail agents in China and Asia, which offers a range of principal products and services designed to digitalize and optimize operations of the local retailers. The principal activities of the Company consist of the provision of AI retail core solution and AI retail value-added service to customers.

As at the Latest Practicable Date, the Group has no shareholding in Cloopen; it is expected that the Group (through the Purchaser) will acquire an effective economic interest of 34.03% in Cloopen pursuant to the Transaction.

The Purchaser

The Purchaser is a company incorporated in Hong Kong and is primarily engaged in development and delivery of retail technology. The Purchaser is an indirectly wholly-owned subsidiary of the Company.

Mr. Sun and Mr. Sun's Entity

Changxun Sun is the founder and chief executive officer of Cloopen. Mr. Sun's Entity, i.e. Cloopen Co., Ltd., is an investment holding company wholly-owned by Mr. Sun.

As at the Latest Practicable Date, Mr. Sun (including through Mr. Sun's Entity and Flawless Success Limited, a nominee of an employee incentive trust that holds shares for and on behalf of the grantees under Cloopen's share incentive plans issued due to exercise of options) holds 2,000,000 Class A Cloopen Shares and 25,649,839 Class B Cloopen Shares, representing 8.53% of the equity interest and 46.58% of the voting powers in Cloopen. As of the Latest Practicable Date and based on the latest Schedule 13E-3 filing made by Cloopen with the SEC on June 2, 2026, it is expected that Mr. Sun (including through Mr. Sun's Entity and Flawless Success Limited) will hold approximately 9.07% effective economic interest in Cloopen following the Merger Closing.

The Initial Sponsor

Trustbridge Partners VII, L.P. is an exempted limited partnership organized under the Laws of the Cayman Islands. The principal business of Trustbridge Partners VII, L.P. is to make private equity investments in selected sectors. It is an investment fund with a wide investor base.

The general partner of the general partner of Trustbridge Partners VII, L.P. is TB Partners GP7 Limited, which, through its board of directors, has the power to direct the voting and disposition of the securities held by the entity. The sole shareholder and one of the directors of TB Partners GP7 Limited is Shujun Li. None of Shujun Li, the other members of the board of directors of TB Partners GP7 Limited or the limited partners of Trustbridge Partners VII, L.P. holds 30% or more partnership interest in Trustbridge Partners VII, L.P..

As at the Latest Practicable Date, Trustbridge Partners V, L.P., an affiliate of the Initial Sponsor, holds 38,474,611 Class A Cloopen Shares, representing 11.87% of the equity interest and 6.93% of the voting powers in Cloopen. As of the Latest Practicable Date and based on the latest Schedule 13E-3 filing made by Cloopen with the SEC on June 2, 2026, it is expected that Trustbridge Partners VII, L.P. and Trustbridge Partners V, L.P. will together hold approximately 45.77% effective economic interest in Cloopen following the Merger Closing; no other Investor is expected to acquire a controlling stake in Cloopen through the Proposed Privatization.

Parent Parties

Each of the Parentco, the Holdco and the Merger Sub is an exempted company with limited liability incorporated under the laws of the Cayman Islands. As of the Latest Practicable Date, the Holdco is a wholly owned subsidiary of Parentco, and the Merger Sub is a wholly owned subsidiary of Holdco.

Each of the Parentco, the Holdco and the Merger Sub was established by the Initial Sponsor on March 6, 2026, March 6, 2026 and March 30, 2026, respectively, for the purposes of executing the Merger. Other than to hold and conduct the equity financing and debt financing in connection with the Proposed Privatization, and, following the Merger Completion and the Merger taking effect, to hold the equity interests in Cloopen, the Parent Parties do not have any other operations and/or assets. Therefore, there is no meaningful historical financial information of the Parent Parties available.

Upon the Merger Closing and the Merger taking effect, according to the Initial Sponsor based on information available to it as of the Latest Practicable Date, the shareholding of each of the Parentco and the Holdco is expected to be as follows:

Parentco

Shareholder	**Approximate shareholding %**
The Initial Sponsor	49.79%
The Purchaser	49.79%
Mr. Sun's Entity	0.42%
Total:	100%

Holdco

Shareholder	**Approximate shareholding %**
Parentco	68.35%
Trustbridge Partners V, L.P.	11.74%
Mr. Sun's Entity	7.83%
Image Frame Investment (HK) Limited	3.98%
Novo Investment HK Limited	3.60%
Flawless Success Limited	0.95%
Parantoux Vintage PE Ltd.	0.95%
Individual holders of equity awards of Cloopen that are eligible to receive replacement equity awards under the Holdco equity incentive plan	2.59%
Total:	100%

Cloopen

Cloopen (OTC: RAASY), a company incorporated under the laws of the Cayman Islands, is a leading multi-capability cloud-based communications solution provider in China offering a full suite of cloud-based communications solutions, covering communications platform as a service (CPaaS), cloud-based contact centers, and cloud-based unified communications and collaborations. Its ADSs are currently quoted on the OTC market in the United States.

Based on the audited consolidated financial statements of Cloopen prepared in accordance with the U.S. GAAP, the financial information of Cloopen for the financial years ended December 31, 2025, 2024 and 2023 is as follows:

	For the year ended December 31,		
	2025	2024	2023
	(audited)	*(audited)*	*(audited)*
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Revenue	**535,709**	573,566	571,024
Loss before income taxes	**(239,621)**	(147,143)	(412,938)
Net loss	**(238,801)**	(146,827)	(412,374)

Based on the audited consolidated financial statements of Cloopen for the financial years ended December 31, 2025 and 2024, the net asset value of Cloopen as at December 31, 2025 and 2024 was approximately RMB831,934,000 and RMB1,064,579,000, respectively.

Considering that the net asset value of the Cloopen Group as at December 31, 2025 is positive and substantial; the net losses of the Cloopen Group in 2024 and 2025 narrowed compared with those in 2023; Cloopen's leading position in the cloud based communication service provider industry in China (noting that it had over six thousand customers as of December 31, 2025, including over 102 large-enterprise customers); the expected cost saving resulting from Cloopen becoming a private company; the confirmation by Cloopen that it had sufficient cashflow for the next 12 months given in each of its 2023, 2024 and 2025 annual reports (i.e. Form 20-F); and there having been no going concern issue in the Cloopen Group's accountants' report for each of 2023, 2024 and 2025 financial years, the Company does not consider there is material concern over the business sustainability of the Cloopen Group.

According to the news release made by Cloopen on October 25, 2023, on May 18, 2023, it received a notice from the NYSE regarding the commencement of delisting proceedings of its ADSs on the basis that it failed to file its annual reports on Form 20-F for the years ended December 31, 2021 and December 31, 2022 and current report on Form 6-K for the half year ended June 30, 2022 by May 17, 2023, which was the maximum time allowed under Section 802.01E of the NYSE's Listed Company Manual (the "**Determination**"); Cloopen subsequently filed with the NYSE a written request for a review of the Determination by the committee for review of the board of directors of the NYSE, and on October 25, 2023, the committee affirmed the Determination. Cloopen was delisted from the NYSE on October 25, 2023. Its ADSs remain quoted and traded on the OTC market in the United States.

Further, according to the news release of the SEC dated February 6, 2024, the SEC settled the accounting fraud charges against Cloopen previously initiated. According to the SEC's order, two senior managers who led Cloopen's strategic customer contracts and key accounts department orchestrated a fraudulent scheme from May 2021 through February 2022 to prematurely recognize revenue on service contracts. The order finds that, facing pressure to meet strict quarterly sales targets, the two senior managers directed their employees to improperly recognize revenue on numerous contracts for which Cloopen had either not completed work or, in some instances, not even started work. As a result of this misconduct and other accounting errors, Cloopen overstated its unaudited financial results for the second and third quarters of 2021 and its announced revenue guidance for the fourth quarter of 2021. Within a few days of starting an internal investigation, Cloopen self-reported the accounting violations to the SEC and subsequently provided substantial cooperation to the staff, including summarizing interviews of witnesses located in China and identifying and translating key documents originally written in Chinese. Cloopen also implemented prompt remedial measures, which included firing or disciplining the people involved in the fraudulent scheme, reorganizing the departments engaged in the misconduct, strengthening its accounting controls, and recruiting new finance and accounting staff with expertise in U.S. generally accepted accounting principles.

In respect of the above incident, the Company had also reviewed all SEC filings made by Cloopen in relation thereto during its due diligence process, which reported on the investigation and remedial measures taken by Cloopen in respect of the incident. According to Cloopen's SEC filings, on May 3, 2022, Cloopen formed an independent special committee comprising of three independent directors to investigate certain employee misconduct and transaction irregularities raised to the board's attention by its then external auditors; the special committee was empowered to retain independent advisors, including independent legal advisors and forensic accountants, in connection with the investigation. On September 6, 2022, the special committee had substantially completed its independent internal investigation and announced its findings; it was also announced that Cloopen had taken significant remedial measures, including, among others, discontinuing certain implicated business department and terminating, requesting the resignation of, or giving disciplinary warnings to relevant employees; in connection with the special committee's findings and recommendations, Cloopen was also in the process of implementing a number of additional remedial measures to enhance internal controls and financial review policies and procedures, including, among others, improving various relevant internal policies and providing related employee trainings. Cloopen also announced the settlement with the SEC in February 2024.

Considering the above matters have been resolved and settled, the proactive actions taken by Cloopen in investigating and resolving such matters, its cooperation with the SEC in the regulatory investigation, and the remedial measures it implemented following the incident, the Board does not consider its assessment of the reasons and benefits of the Transaction to be materially and adversely affected by the above matters. To the Company's knowledge, the above matters do not affect the audited consolidated financial statements of the Cloopen Group for the years ended December 31, 2023, 2024 and 2025.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Agreements, each of Mr. Sun (and Mr. Sun's Entity), the Initial Sponsor, TB Partners GP7 Limited (and Shujun Li and the other members of its board of directors), the Parent Parties and Cloopen is a third party independent of the Company and its connected persons.

Shareholders and potential investors should note that (i) the Transaction and the Merger are subject to fulfilment (or waiver) of certain conditions precedent and may or may not proceed, and (ii) the Merger is subject to the approval from the shareholders of Cloopen which may or may not be obtained. Shareholders and potential investors should exercise caution when dealing in the relevant securities of the Company.

6. FINANCIAL EFFECTS OF THE TRANSACTION ON THE GROUP

Even if the Commitment is adjusted to the maximum amount of US$40.5 million, the Purchaser's equity interest in Parentco will not exceed 50% (as the other Investors' commitments will also increase). As such, upon the Merger Closing and the Merger becoming effective, none of Parentco, Holdco and Cloopen will become a subsidiary of the Company and their financial results will not be consolidated into the accounts of the Group; instead, they will be accounted for as associates of the Group.

Based on the expected utilization of the Commitment as of the Latest Practicable Date of approximately US$35,163,980, following the Merger Completion and the Merger taking effect, the Purchaser will hold approximately 49.79% of the equity interest in Parentco, which will in turn hold approximately 68.35% of the equity interest in Cloopen; that is, the Purchaser will hold an effective economic interest of approximately 34.03% in Cloopen. Based on the foregoing and assuming the Merger Completion had taken place on December 31, 2025 and the Merger took effect on the same day: (i) the Transaction will decrease the amount of cash of the Group held as at December 31, 2025 by the utilized amount of the Commitment of approximately US$35,163,980 (equivalent to approximately RMB247,160,583), as the Company will settle the consideration under the Transaction using its own funds; and (ii) the Group's interest in an associate, which is part of its non-current assets, will correspondingly increase by approximately US$35,163,980, (equivalent to approximately RMB247,160,583).

In view of the immaterial transaction costs to be incurred for the Transaction and save as disclosed above, there will be no immediate material effect on the earnings and assets and liabilities of the Group associated with the Transaction.

The details of the financial effect of the Transaction on the financial position of the Group together with the bases and assumption taken into account in preparing such unaudited pro forma financial information are set out, for illustrative purpose only, in Appendix IIIB to this circular.

7. IMPLICATIONS OF THE TRANSACTION UNDER THE LISTING RULES

Based on the maximum possible Commitment of US$40.5 million, one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transaction is more than 25% and less than 100%, the Transaction therefore constitutes a major transaction of the Company under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to the Listing Rules, Shareholders' approval is required for a major transaction. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Transaction, therefore no Shareholder would be required to abstain from voting if the Company was to convene a general meeting for approving the Transaction. The Company will not be required to convene a general meeting for approving the Transaction for being a major transaction because the Company has obtained the written shareholder's approval from Celestial Limited, Odor Nice Limited and Retail Enterprise Corporation Limited in lieu of convening a general meeting as permitted by Rule 14.44 of the Listing Rules. As at the Latest Practicable Date, Celestial Limited, Odor Nice Limited

and Retail Enterprise Corporation Limited each holds 423,470,475, 68,880,650 and 10,101,010 Shares, representing approximately 48.45%, 7.88% and 1.16% of the issued share capital (excluding treasury shares) of the Company, respectively; together, they hold 502,452,135 Shares, representing approximately 57.49% of the issued share capital (excluding treasury shares) of the Company. Celestial Limited, Odor Nice Limited and Retail Enterprise Corporation Limited are all controlled by Dr. Zhang Wenzhong, controlling shareholder of the Company.

8. WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

Waiver for the inclusion of the accountants' report of Cloopen to be prepared in accordance with IFRS Accounting Standards

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, this circular must contain, among others, an accountants' report on Cloopen in accordance with Chapter 4 of the Listing Rules.

The Company has applied to the Stock Exchange and the Stock Exchange has granted waiver from strict compliance with Rule 14.67(6)(a)(i) on the following grounds:

Cloopen will not become a subsidiary of the Company

(a) Rule 14.67(6)(a)(i) of the Listing Rules provides that where a company proposed to be acquired by a listed issuer has not or will not become a subsidiary of the listed issuer, the Stock Exchange may be prepared to relax the requirement under Rule 14.67(6)(a)(i).

(b) The Company had no shareholding in the Parent Parties or Cloopen as at the Latest Practicable Date, and only had access to the same information of Cloopen as the other Investors and potential investors of the Proposed Privatization. Assuming all of the conditions are satisfied or waived according to the terms of the relevant agreement, and based on the expected utilization of the Commitment as of the Latest Practicable Date of approximately US$35,163,980, following the Merger Completion and the Merger taking effect, the Purchaser will hold approximately 49.79% of the equity interest in Parentco, which will in turn hold approximately 68.35% of the equity interest in Cloopen; that is, the Purchaser will hold an effective economic interest of approximately 34.03% in Cloopen. Even if the Commitment is adjusted to the maximum amount of US$40.5 million, the Purchaser's equity interest in Parentco will not exceed 50% (as the other Investors' commitments will also increase). As such, none of Parentco, Holdco and Cloopen will become a subsidiary of the Company and their financial results will not be consolidated into the accounts of the Group as a result of the Transaction.

The ADSs of Cloopen are quoted on the OTC market in the United States and Cloopen has published its historical financial information

(a) The ADSs of Cloopen are quoted on the OTC market in the United States. Cloopen is subject to the regulatory supervision of the SEC and it has published its historical financial information pursuant to applicable laws and regulations. Such financial information can be easily obtained by the Shareholders from the website of the SEC (http://www.sec.gov) and will enable them and the investing public to make a properly informed assessment of Cloopen's historical financial performance.

(b) Cloopen's financial statements are prepared in accordance with U.S. GAAP. Cloopen's financial statements for each of the financial years ended December 31, 2023, 2024 and 2025 were audited by Cloopen's auditors, ARK PRO CPA & Co ("**ARK**"), in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("**PCAOB**"). ARK is a public accounting firm registered with the PCAOB and is required to be independent with respect to Cloopen in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB. ARK issued clean opinions on Cloopen's audited financial statements.

Strict compliance with the requirements of accountants' report is impractical and unduly burdensome

(a) Given that Cloopen and the Company have adopted different financial reporting standards, it is unduly burdensome and practically difficult for Cloopen and the Company to engage internal and external resources to prepare an accountants' report on Cloopen under Rule 14.67(6)(a)(i) of the Listing Rules in light of the substantial time, resources and costs required, which will not be in the interests of the Company and its Shareholders as a whole.

(b) Given that the Company currently has no shareholding in, and does not exercise any degree of control over Cloopen, the Company is not in a position to gain access to the underlying accounting records and other internal information of Cloopen that are confidential and non-public to facilitate its own auditors preparing financial statements in accordance with IFRS Accounting Standards. Cloopen, as a company with its securities traded on the OTC market in the United States, is not obliged to disclose any financial information which has not been published in accordance with applicable laws and regulations. Strict compliance with the accountants' report requirements by the Company is impractical.

(c) In addition, in light of the alternative disclosures made in this circular (see paragraph headed "Alternative disclosures" below), the inclusion of an accountants' report in accordance with Rule 14.67(6)(a)(i) of the Listing Rules is unlikely to put the Shareholders of the Company in a substantially better position to assess Cloopen's performance and financial position.

Alternative disclosures

In replacement of an accountants' report of Cloopen prepared in accordance with IFRS, the Company proposes to include the following disclosure in this circular:

(a) the audited consolidated financial statements of the Cloopen Group for the financial years ended December 31, 2023, 2024 and 2025 prepared in accordance with U.S. GAAP, extracted from the U.S. equivalents of the annual reports of Cloopen (i.e. Form 20-F), which are set out in Appendix II to this circular;

(b) a line-by-line reconciliation of the consolidated financial statements of the Cloopen Group for the financial years ended December 31, 2023, 2024 and 2025 to address the differences in the Cloopen Group's financial statements had they been prepared in accordance with the Company's accounting policies under IFRS Accounting Standards, with explanations of the differences (the "**Reconciliation**"). The Company has engaged GTG CPA Limited ("**GTG**") to review the Reconciliation under "Hong Kong Standard of Assurance Engagements 3000 (Revised)" issued by HKICPA. The line-by-line reconciliation will demonstrate the differences and financial impact of each line item of the Cloopen Group's financial history of results and assets and liabilities between its accounting policies under U.S. GAAP and the accounting policies of the Group under IFRS Accounting Standards, with an explanation of the differences and financial impact of each line item in accompanying notes. As such, the line-by-line reconciliation would provide the Cloopen Group's financial information under IFRS Accounting Standards to facilitate the Shareholders' assessment of its historical performance and financial position, which is set out in Appendix IIIA to this circular;

(c) the unaudited pro-forma consolidated assets and liabilities of the Group as at December 31, 2025 as if the Merger Closing had taken place and the Merger had become effective on December 31, 2025 which the Company's auditors, KPMG, have performed relevant procedures in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA, which are set out in Appendix IIIB to this circular;

(d) the "Operating and Financial Review and Prospects" section, extracted from the U.S. equivalent of the annual report of Cloopen, for each of the years ended December 31, 2023, 2024 and 2025, which are set out in Appendix IV to this circular; and

(e) additional disclosures extracted from the U.S. equivalent of the annual report of Cloopen, for each of the years ended December 31, 2023, 2024 and 2025 that otherwise satisfy the requirements in paragraph 32 of Appendix D2 to the Listing Rules, which are set out in Appendix IV to this circular.

Based on its review of the audited consolidated financial statements of the Cloopen Group for each of the three financial years ended December 31, 2025 as extracted in Appendix II to this circular, the Company is not aware of any additional material information to be disclosed under Rules 4.05 (including ageing analysis of accounts receivable and accounts payable under Rule 4.05(2), as the Cloopen Group's net accounts receivables and net accounts payable are classified as current assets and current liabilities, respectively, and therefore have ageing of less than 12 months), 4.06 (including significant subsequent events under Rule 4.06(9)), 4.07 and 4.08 of the Listing Rules therein. Further, based on its review of the management discussion and analysis and the other disclosures of Cloopen as extracted in Appendix IV to this circular, the Company is not aware of any additional material information to be disclosed under paragraph 32 (including gearing ratios under paragraph 32(10) as the Cloopen Group did not have bank borrowing or other borrowing as at December 31, 2023, 2024 and 2025, respectively) of Appendix D2 to the Listing Rules.

Based on the information provided by the Company and the alternative disclosure above, the Stock Exchange granted the waiver from strict compliance with Rules 14.67(6)(a)(i) under the Listing Rules.

9. RECOMMENDATION

The Directors are of the view that the terms of the Transaction contemplated under the Agreements are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, should a resolution be put at a general meeting of the Company for the Shareholders to consider the same, the Directors would recommend the Shareholders to vote in favour of such resolution. As disclosed above, the Company has obtained the written approval from Celestial Limited, Odor Nice Limited and Retail Enterprise Corporation Limited for approving the Transaction.

10. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

11. GENERAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
On behalf of the Board
Dmall Inc.
Mr. Curtis Alan Ferguson
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the financial years ended December 31, 2023, December 31, 2024 and December 31, 2025 is disclosed in the following documents which have been published on the websites of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company (https://ir.dmall.com/). Web links to the Prospectus and the annual reports of the Company are set out below:

Prospectus (containing financial information for the year ended December 31, 2023):
https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1128/2024112800015.pdf

Annual report of the Company for the year ended December 31, 2024:
https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0423/2025042300823.pdf

Annual report of the Company for the year ended December 31, 2025:
https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0423/2026042301968.pdf

2. INDEBTEDNESS STATEMENT

As at the close of business on May 31, 2026, being the most recent practicable date for the purpose of this statement of indebtedness prior to the publication of this circular, the indebtedness of the Group was as follows:

	As at May 31, 2026
	RMB'000
Bank loans	
– Secured	127,215
– Unsecured	285,760
	412,975
Borrowings from other company	
– Unsecured	3,966
Lease liabilities	33,786
Total	450,727

As at the close of business on May 31, 2026, being the latest practicable date for the purpose of this statement of indebtedness prior to the publication of this circular, except as disclosed above and apart from intra-group liabilities, the Group did not have (i) any debt securities issued or outstanding, (ii) any authorised or otherwise created but unissued, terms loans, other borrowings and indebtedness, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits or hire purchase commitments, lease liabilities, mortgages, charges, guarantees, or (iii) any contingent liabilities.

3. WORKING CAPITAL SUFFICIENCY

After due and careful consideration, the Directors are of the opinion that, taking into account the financial resources available to the Group including cash flows to be generated from the operating activities and the available credit facilities, the Group has sufficient working capital for its requirements for at least 12 months from the date of this circular, in the absence of unforeseen circumstances. As at the date of this circular, the Company has obtained the confirmation as required under Rule 14.66(12) of the Listing Rules from the auditors of the Company.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2025, being the date to which the latest published audited consolidated accounts of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In 2025, the Group achieved high-quality growth with AI technology as its core driving force. During the financial year ended December 31, 2025, the Group delivered robust operating results: total revenue increased by 19.8% year-on-year to RMB2,226.8 million, and net profit of RMB127.1 million. With AI technology serving as a core engine, the Group comprehensively advanced product upgrades, innovation, and commercialization. During the 2025 financial year, the Group recorded revenue from AI businesses of RMB64.4 million, which was one of the key growth drivers of the Group.

The Group is committed to accelerating the implementation of retail AI agents to deeply penetrate all operational scenarios across the retail chain, ultimately achieving autonomous decision-making, closed-loop management, and continuous evolution, and constructing an intelligent operation system covering all aspects of retail.

Given the technical capabilities and expertise of Cloopen, the Company believes acquiring an equity stake in Cloopen through the Transaction will boost the Group's progress in its implementation of retail AI agents. Deeper collaboration with Cloopen will bolster the Group's engineering delivery capabilities of AI retail agents; enhance the Company's capability to internalize the Company's extensive retail industry insights by deploying Cloopen's on-site agent development methodology; strengthen the Company's multi-client parallel delivery capacity by leveraging Cloopen's extensive B2B service experience and delivery resources; and deepen the synergy between Cloopen's AI customer service solutions and the Company's existing AI customer service business.

The following is an extract of the audited consolidated financial statements of the Cloopen Group for the years ended December 31, 2023, 2024 and 2025, which were prepared in accordance with U.S. GAAP, as extracted from the respective annual reports of the Cloopen Group for the years ended December 31, 2023, 2024 and 2025. These financial statements were issued in English and the Chinese translated version is provided for information purposes only. In case of discrepancies between the two versions, the English version shall prevail.

The annual reports and consolidated financial statements of the Cloopen Group for the three years ended December 31, 2023, 2024 and 2025 are available at the website of the SEC (http://www.sec.gov).

The Directors wish to emphasise that the extracts reproduced below are not prepared for incorporation into this circular and the Company has not participated in their preparation. As such, the Directors do not express any view as to their truth, accuracy or completeness, and the Shareholders and investors should exercise caution and should not place undue reliance on such information.

A. THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CLOOPEN GROUP FOR THE YEAR ENDED DECEMBER 31, 2023

CLOOPEN GROUP HOLDING LIMITED

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To the Shareholders and Board of Directors
Cloopen Group Holding Limited:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Cloopen Group Holding Limited (the "Company"), its subsidiaries and its variable interest entities (collectively the "Group") as of December 31, 2022 and 2023, the related consolidated statements of comprehensive loss, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2023, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ ARK PRO CPA & Co

We have served as the Company's auditor since 2023.

Hong Kong, China

March 24, 2025

CLOOPEN GROUP HOLDING LIMITED

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Notes	December 31, 2022	December 31, 2023	
		RMB	RMB	US$
ASSETS				
Current assets				
Cash	4	526,740	377,947	53,233
Restricted cash	4	525	4,502	634
Term deposits	2(i)	915,845	545,368	76,813
Short-term investments	16	412,031	422,559	59,516
Accounts receivable – third parties, net	5	133,577	143,421	20,200
Accounts receivable – related parties, net	5,21	99	704	99
Contract assets	19	50,838	26,107	3,677
Amounts due from a related party	21	105	3,350	472
Prepayments and other current assets	6	108,129	109,455	15,417
Total current assets		**2,147,889**	**1,633,413**	**230,061**
Non-current assets				
Long-term investments	7	58,530	54,049	7,613
Property and equipment, net	8	14,389	10,385	1,463
Operating lease right-of-use assets	9	16,342	13,992	1,971
Intangible assets, net	10	16,934	14,294	2,013
Goodwill	11	54,427	54,427	7,666
Other non-current assets		4,580	3,528	497
Total non-current assets		**165,202**	**150,675**	**21,223**
Total assets		**2,313,091**	**1,784,088**	**251,284**
LIABILITIES AND SHAREHOLDERS' EUQITY				
Current liabilities				
Accounts payable		122,124	87,729	12,356
Contract liabilities	19	359,801	363,228	51,160
Operating lease liabilities-current	9	10,162	10,300	1,451
Amounts due to related parties	21	780	205	29
Payable for business acquisition	4	8,915	-	-
Accrued expenses and other current liabilities	12	242,724	124,540	17,541
Total current liabilities		**744,506**	**586,002**	**82,537**
Non-current liabilities				
Operating lease liabilities-non current	9	6,448	2,164	305
Deferred income tax liabilities	17	1,285	857	121
Other non-current liabilities		910	27	4
Total non-current liabilities		**8,643**	**3,048**	**430**
Total liabilities		**753,149**	**589,050**	**82,967**
Commitments and contingencies (Note 20)				
SHAREHOLDERS' EQUITY:				
Class A Ordinary Shares (US$0.0001 par value, 600,000,000 shares authorized, 309,105,485 shares issued as of December 31, 2022 and 2023, and 301,287,039 and 308,308,147 shares outstanding as of December 31, 2022 and 2023, respectively)		193	195	27
Class B Ordinary Shares (US$0.0001 par value, 25,649,839 shares authorized, issued and outstanding as of December 31, 2022 and 2023; each Class B ordinary share is convertible into one Class A ordinary share)		17	17	2
Additional paid-in capital		11,184,360	11,210,542	1,578,972
Treasury stock		(120,899)	(120,899)	(17,028)
Accumulated other comprehensive loss		(78,613)	(57,327)	(8,074)
Accumulated deficit		(9,421,840)	(9,831,562)	(1,384,747)
Total shareholders' Equity attributable to Cloopen Group Holding Limited		**1,563,218**	**1,200,966**	**169,152**
Non-controlling interests		**(3,276)**	**(5,928)**	**(835)**
Total shareholders' Equity		**1,559,942**	**1,195,038**	**168,317**
Total liabilities and shareholders' equity		**2,313,091**	**1,784,088**	**251,284**

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Notes	Year ended December 31,			
		2021	2022	2023	
		RMB	RMB	RMB	US$
Revenues (including related parties amounts of RMB 5,994, RMB 1,377 and RMB 919 for the years ended December 31,2021, 2022 and 2023, respectively)	19,21	752,688	593,634	571,024	80,427
Cost of revenues (including related parties amounts of RMB nil, nil and 3,623 for the years ended December 31, 2021, 2022 and 2023, respectively)	21	(480,755)	(367,334)	(366,375)	(51,603)
Gross profit		271,933	226,300	204,649	28,824
Operating expenses:					
Selling and marketing expenses		(300,043)	(265,304)	(227,543)	(32,049)
General and administrative expenses		(385,498)	(319,217)	(191,113)	(26,918)
Impairment loss of goodwill		(149,092)	(107,407)	-	-
Impairment loss of intangible assets		(136)	(28,011)	-	-
Provision for U.S Class Action		-	(83,575)	-	-
Other operating expenses		(51,354)	(70,417)	-	-
Research and development expenses (including related parties amounts of RMB1,974, nil and nil for the years ended December 31, 2021, 2022 and 2023, respectively)	21	(297,360)	(326,513)	(222,538)	(31,344)
Total operating expenses		**(1,183,483)**	**(1,200,444)**	**(641,194)**	**(90,311)**
Operating loss		**(911,550)**	**(974,144)**	**(436,545)**	**(61,487)**
Interest expenses		(366)	(428)	-	-
Interest income		11,344	14,627	26,826	3,778
Investment income		-	340	563	79
Share of losses of equity method investments	7	(596)	(1,969)	(1,470)	(207)
Gain from disposal of long-term investments		-	5,138	-	-
Change in fair value of long-term investments		47,247	-	-	-
Impairment loss of long-term investments	7	(6,603)	(7,400)	(8,011)	(1,128)
Change in fair value of warrant liabilities	13	(29,011)	-	-	-
Gain(loss) from disposal of subsidiaries, net		2,899	(2,739)	-	-
Foreign currency exchange gains (losses), net		(6,696)	(9,666)	5,699	803
Loss before income taxes		**(893,332)**	**(976,241)**	**(412,938)**	**(58,162)**
Income tax expense	17	(11,120)	342	564	79
Net loss		**(904,452)**	**(975,899)**	**(412,374)**	**(58,083)**
Net loss attributable to non-controlling interests		**(593)**	**(1,001)**	**(2,652)**	**(374)**
Net loss attributable to Cloopen Group Holding Limited		**(903,859)**	**(974,898)**	**(409,722)**	**(57,709)**
Accretion and modifications of Redeemable Convertible Preferred Shares	14	(4,878,652)	-	-	-
Net loss attributable to ordinary shareholders		**(5,782,511)**	**(974,898)**	**(409,722)**	**(57,709)**
Net loss		**(904,452)**	**(975,899)**	**(412,374)**	**(58,083)**
Other comprehensive income (loss):					
Foreign currency translation adjustment, net of nil income taxes		(308,001)	153,655	21,286	2,998
Total other comprehensive income (loss)		**(308,001)**	**153,655**	**21,286**	**2,998**
Comprehensive loss		**(6,091,105)**	**(822,244)**	**(391,088)**	**(55,085)**
Comprehensive loss attributable to non-controlling interests		(593)	(1,001)	(2,652)	(374)
Comprehensive loss attributable to Cloopen Group Holding Limited		**(6,090,512)**	**(821,243)**	**(388,436)**	**(54,711)**
Net loss per ordinary share					
—Basic and diluted	18	(19.62)	(3.03)	(1.27)	(0.18)
Weighted average number of ordinary shares outstanding used in computing net loss per ordinary share					
—Basic and diluted	18	294,793,258	321,885,046	321,945,825	321,945,825

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Note	A ordinary shares		B Ordinary shares		Treasury Shares	Pre-offering Class A ordinary shares		Pre-offering Class B ordinary shares		Additional paid-in capital	Subscription receivable	Accumulated other comprehensive income(loss)	Accumulated deficit	Total shareholders' equity attributable to Cloopen Group Holding Limited	Non-controlling interests	Total shareholders' equity
		Number of shares	RMB	Number of shares	RMB	RMB	Number of shares	RMB	Number of shares	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2021		-	-	-	-	-	**41,932,446**	**29**	**55,957,962**	**33**	-	-	**75,733**	**(2,681,632)**	**(2,605,837)**	**2,513**	**(2,603,324)**
Issuance of ordinary shares to Cloopen Japan's non-controlling interest shareholders as share based compensation	16	-	-	-	-	-	1,424,312	1	-	-	20,620	-	-	-	20,621	(5,867)	14,754
Exercise of options before IPO		-	-	-	-	-	11,697,012	7	-	-	15,917	-	-	-	15,924	-	15,924
IPO Pre-offering ordinary shares converted to ordinary shares		85,361,893	53	25,649,839	17	-	(55,053,770)	(37)	(55,957,962)	(33)	-	-	-	-	-	-	-
IPO preferred shares converted to ordinary shares		158,900,014	103	-	-	-	-	-	-	-	8,539,512	(336,179)	-	-	8,203,436	-	8,203,436
Initial Public Offering		46,000,000	30	-	-	-	-	-	-	-	2,195,797	-	-	-	2,195,827	-	2,195,827
Exercise of Warrant C		638,569	-	-	-	-	-	-	-	-	38,844	-	-	-	38,844	-	38,844
Change in the ownership interest in subsidiaries		-	-	-	-	-	-	-	-	-	251	-	-	-	251	89	340
Exercise of options		6,385,825	4	-	-	-	-	-	-	-	10,964	-	-	-	10,968	-	10,968
Issuance of restricted ordinary shares to company's interest shareholders as share based compensation	16	2,411,177	2	-	-	-	-	-	-	-	89,784	-	-	-	89,786	-	89,786
Acquisition of Kunlun		-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,793	2,793
Repurchase of ordinary shares		-	-	-	-	(81,638)	-	-	-	-	-	-	-	-	(81,638)	-	(81,638)
Acquisition of subsidiaries Zhuge	4	30,462	-	-	-	-	-	-	-	-	299	-	-	-	299	-	299
Receive the Subscription receivables for Series C and Series E Redeemable Convertible Preferred Shares	15	-	-	-	-	-	-	-	-	-	-	336,179	-	-	336,179	-	336,179
Net loss		-	-	-	-	-	-	-	-	-	-	-	-	(903,859)	(903,859)	(593)	(904,452)
Share-based compensation	16	-	-	-	-	-	-	-	-	-	172,188	-	-	-	172,188	-	172,188
Accretion and modification of Redeemable Convertible Preferred Shares		-	-	-	-	-	-	-	-	-	(17,201)	-	-	(4,861,451)	(4,878,652)	-	(4,878,652)
Foreign currency translation adjustment, net of nil income taxes		-	-	-	-	-	-	-	-	-	-	-	(308,001)	-	(308,001)	-	(308,001)
Balance as of December 31, 2021		**299,727,940**	**192**	**25,649,839**	**17**	**(81,638)**	-	-	-	-	**11,066,975**	-	**(232,268)**	**(8,446,942)**	**2,306,336**	**(1,065)**	**2,305,271**

The accompanying notes are an integral part of these consolidated financial statements

CLOOPEN GROUP HOLDING LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Note	Class A ordinary shares		Class B ordinary shares		Treasury Shares	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity attributable to Cloopen Group Holding Limited	Non-controlling interests	Total shareholders' equity
		Number of shares	RMB	Number of shares	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2022		**299,727,940**	**192**	**25,649,839**	**17**	**(81,638)**	**11,066,975**	**(232,268)**	**(8,446,942)**	**2,306,336**	**(1,065)**	**2,305,271**
Change in the ownership interest in the subsidiaries		-	-	-	-	-	4,877	-	-	4,877	(1,210)	3,667
Exercise option		8,529,150	1	-	-	-	4,012	-	-	4,013	-	4,013
Issuance of restricted ordinary shares to company's interest shareholders as share based compensation	15	-	-	-	-	-	1,034	-	-	1,034	-	1,034
Repurchase of common shares		797,338	-	-	-	(39,261)	-	-	-	(39,261)	-	(39,261)
Net loss		-	-	-	-	-	-	-	(974,898)	(974,898)	(1,001)	(975,899)
Share-based compensation	15	-	-	-	-	-	107,462	-	-	107,462	-	107,462
Foreign currency translation adjustment, net of nil income taxes		-	-	-	-	-	-	153,655	-	153,655	-	153,655
Balance as of December 31, 2022		**309,054,428**	**193**	**25,649,839**	**17**	**(120,899)**	**11,184,360**	**(78,613)**	**(9,421,840)**	**1,563,218**	**(3,276)**	**1,559,942**

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	Class A ordinary shares		Class B ordinary shares		Treasury Shares	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity attributable to Cloopen Group Holding Limited	Non-controlling interests	Total shareholders' equity
		Number of shares	RMB	Number of shares	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2023		**309,054,428**	**193**	**25,649,839**	**17**	**(120,899)**	**11,184,360**	**(78,613)**	**(9,421,840)**	**1,563,218**	**(3,276)**	**1,559,942**
Cumulative effect of adoption of ASC 326	2	-	-	-	-	-	-	-	(196)	(196)	-	(196)
Exercise option		1,442,808	2	-	-	-	3,943	-	-	3,945	-	3,945
Net loss		-	-	-	-	-	-	-	(409,526)	(409,526)	(2,652)	(412,178)
Share-based compensation	15	-	-	-	-	-	22,239	-	-	22,239	-	22,239
Foreign currency translation adjustment, net of nil income taxes		-	-	-	-	-	-	21,286	-	21,286	-	21,286
Balance as of December 31, 2023		**310,491,236**	**195**	**25,649,839**	**17**	**(120,899)**	**11,210,542**	**(57,327)**	**(9,831,562)**	**1,200,966**	**(5,928)**	**1,195,038**
Balance as of December 31, 2023—US$		**-**	**27**	**-**	**2**	**(17,028)**	**1,578,972**	**(8,074)**	**(1,384,747)**	**169,152**	**(835)**	**168,317**

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

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CLOOPEN GROUP HOLDING LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Year ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US$
Operating activities:				
Net loss	**(904,452)**	**(975,899)**	**(412,374)**	**(58,083)**
Adjustments to reconcile net loss to net cash used in operating activities				
Allowance for doubtful accounts	17,115	-	-	-
Allowance for credit loss	-	25,589	16,456	2,318
Share-based compensation	277,617	107,462	22,238	3,132
Depreciation of Property and equipment and amortization of Intangible assets	10,504	13,893	8,775	1,236
Amortization of right-of-use asset and interest on lease liabilities	-	8,823	4,516	636
Deferred tax expense (benefit)	5,122	(8,806)	(429)	(60)
Share of losses of equity method investments	596	1,969	1,470	207
Change in fair value of long-term investments	(47,247)	-	-	-
Gain from disposal of long-term investments	-	(5,138)	-	-
Impairment loss of long-term investments	6,603	7,400	8,011	1,128
Losses (gains) from disposal of property and equipment	493	62	66	9
Investment income	-	(340)	(563)	(79)
Impairment loss of intangible assets	136	28,011	-	-
Losses from disposal of intangible assets	24	-	-	-
Impairment loss of goodwill	149,092	107,407	-	-
Losses (gains) from disposal of subsidiaries, net	(2,899)	2,739	-	-
Change in fair value of warrant liabilities	29,011	-	-	-
Provision for U.S Class Action	-	83,575	-	-
Unrealized foreign exchange (gains) losses	6,696	9,666	(5,699)	(803)
Changes in operating assets and liabilities, net of effect of disposal of subsidiaries:				
Accounts receivable - third parties, net	34,342	1,234	(28,125)	(3,961)
Accounts receivable - related parties, net	13,420	216	(724)	(102)
Contract assets	(6,647)	(31,422)	26,675	3,757
Amounts due from related parties	3,942	(105)	(3,245)	(457)
Prepayments and other current assets	(15,497)	27,591	(1,326)	(187)
Operating lease right-of-use assets	-	(25,165)	(2,166)	(305)
Other non-current assets	1,667	(1,452)	1,052	148
Accounts payable	28,206	(24,589)	(34,395)	(4,844)
Contract liabilities	94,962	61,863	3,427	483
Amounts due to related parties	(3,472)	(14)	(575)	(81)
Operating lease liabilities	-	16,610	(4,146)	(584)
Other non-current liabilities	3,334	(2,424)	3,063	431
Accrued expenses and other current liabilities	59,253	3,974	(118,184)	(16,646)
Net cash used in operating activities	**(238,079)**	**(567,270)**	**(516,202)**	**(72,707)**
Investing activities:				
Cash paid for business combination	(203,164)	(116,396)	(8,915)	(1,256)
Cash paid for purchase of property and equipment	(7,390)	(5,825)	(807)	(114)
Cash paid for purchase of intangible assets	(1,273)	(980)	(952)	(134)
Cash paid for purchase of equity method investments	(21,900)	-	-	-
Cash paid for purchase of other equity investments	(20,000)	-	(5,000)	(704)
Cash received from sale of short-term investments	-	64,833	24,663	3,474
Cash paid for purchase of short-term investments	(127,514)	(349,350)	(28,187)	(3,970)
Cash received from disposal of property and equipment	30	-	15	2
Cash received from consolidation of subsidiaries	10,890	-	-	-
Cash received from disposal of a subsidiary	2,500	-	-	-
Cash Received from disposal of long-term investments	1,500	64,987	-	-
Cash from disposal of subsidiaries	(1,024)	-	-	-
Collection of interest free loans provided to related parties	2,300	-	-	-
Cash paid for term deposits	(3,375,933)	(4,345,910)	(938,458)	(132,179)
Cash received from maturity of term deposits	1,926,418	5,040,269	1,308,935	184,360
Net cash provided by/(used in) investing activities	**(1,814,560)**	**351,628**	**351,294**	**49,479**
Financing activities:				
Proceeds from IPO	2,195,827	-	-	-
Receive the Subscription receivables for Series C and E Redeemable Convertible Preferred Shares	336,179	-	-	-
Exercises of warrant F	219,667	-	-	-
Payment of issuance costs	(5,549)	-	-	-
Exercises share options	26,892	-	-	-
Repayment of long-term borrowings	-	(8,004)	-	-
Payables to a VIE shareholder	(230,087)	-	-	-
Payment of initial public offering (“IPO”) costs	(8,146)	-	-	-
Repurchase of treasury stock	(68,894)	(39,261)	-	-
Repayment for short-term bank borrowings	(21,140)	(5,500)	-	-
Net cash provided by/(used in) financing activities	**2,444,749**	**(52,765)**	**-**	**-**
Effect of foreign currency exchange rate changes on cash	(36,235)	138,795	20,092	2,831
Net increase/(decrease) in cash and restricted cash	**355,875**	**(129,612)**	**(144,816)**	**(20,397)**
Cash and restricted cash at the beginning of the year	301,002	656,877	527,265	74,264
Cash and restricted cash at the end of the year	**656,877**	**527,265**	**382,449**	**53,867**
Supplemental information				
Interest paid	291	479	-	-
Income tax paid	299	368	93	13
Non-cash investing and financing activities:				
Issuance of ordinary shares as the consideration for purchase of non-controlling interests	20,621	-	-	-

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

1. DESCRIPTION OF BUSINESS, ORGANIZATION AND BASIS OF PRESENTATION

Organization and principal activities

Cloopen Group Holding Limited ("the Company"), through its wholly-owned subsidiaries, consolidated variable interest entity ("VIE") and VIE's subsidiaries (collectively referred to as "the Group"), is principally engaged in providing integrated communication services based on cloud computing technology. The Group's principal operations and geographic markets are mainly in the People's Republic of China ("PRC").

The accompanying consolidated financial statements include the financial statements of the Company, its subsidiaries, consolidated VIE and VIE's subsidiaries.

The VIE arrangements

The Group operates its cloud communication business in the PRC through Beijing Ronglian Yitong Information Technology Co., Ltd. ("Ronglian Yitong", or the "VIE"), a limited liability company established under the laws of the PRC on March 31, 2009. Ronglian Yitong and its subsidiaries holds the necessary PRC operating licenses for the online businesses. The equity interests of Ronglian Yitong are legally held by Mr. Changxun Sun, the founder, chairman of board of directors and chief executive officer, Mr. Jianhong Zhou, the director of the Company, Lhasa Heye Investment Management Co., Ltd., and Beijing Hongshan Shengde Equity Investment Center (Limited Partnership) who act as nominee equity holders of the VIE on behalf of Anxun Guantong (Beijing) Technology Co., Ltd. ("Anxun Guantong" or "WFOE"), the Company's wholly-owned subsidiary. A series of contractual agreements, including Powers of Attorney, Exclusive Business Cooperation Agreement, Equity Pledge Agreement, Exclusive Option Agreement and Spousal Consent Letter (collectively, the "VIE Agreements"), were entered among the Company, Anxun Guantong, Ronglian Yitong and its nominee equity holders.

Pursuant to the VIE Agreements, the Company is able to exercise effective control over, bears the risks of, enjoys substantially all of the economic benefits of the VIE, and has an exclusive option to purchase all or part of the equity interests in the VIE when and to the extent permitted by the PRC law at the lowest price possible. The Company's management concluded that Ronglian Yitong is a VIE and the Company is its primary beneficiary. As such, the consolidated financial statements of the VIE are included in the consolidated financial statements of the Company.

The principal terms of the VIE Agreements are further described below.

1) Powers of Attorney

The Company and each of the equity holders of Ronglian Yitong entered into Powers of Attorney. Pursuant to the Powers of Attorney, the equity holders of Ronglian Yitong irrevocably appointed Anxun Guantong as their attorney-in-fact to exercise all equity holder rights, including, but not limited to, proposing, convening and attending in the equity holders' meeting, appointing or removing directors, executive officers and senior management, disposing of all or part of the equity holder's interests in Ronglian Yitong, casting the equity holders' votes on matters requiring equity holders' approval and doing all other acts in the capacity of the equity holders as permitted by Ronglian Yitong's Memorandum and Articles of Association. In addition, the Company has a right to assign its rights and benefits under the Powers of Attorney to any other parties without an advance notice to the equity holders of Ronglian Yitong. The Powers of Attorney shall continue in force and be irrevocable as long as the equity holders of Ronglian Yitong remain as the equity holders of Ronglian Yitong.

2) Exclusive Business Cooperation Agreement

Anxun Guantong and Ronglian Yitong entered into an Exclusive Business Cooperation Agreement, whereby Anxun Guantong is appointed as the exclusive service provider for the provision of business support, technology and consulting services to Ronglian Yitong. Unless a written consent is given by Anxun Guantong, Ronglian Yitong is not allowed to engage a third party to provide such services, while Anxun Guantong is able to designate another party to render such services to Ronglian Yitong. Ronglian Yitong shall pay Anxun Guantong on a monthly basis a service fee, which shall be equal to 100% of the monthly net profits of Ronglian Yitong, and Anxun Guantong has the sole discretion to adjust the basis of calculation of the service fee amount according to service provided to Ronglian Yitong. Anxun Guantong owns the exclusive intellectual property rights, whether created by Anxun Guantong or Ronglian Yitong, as a result of the performance of the Exclusive Business Cooperation Agreement unless terminated in writing by Anxun Guantong. The Exclusive Business Cooperation Agreement may be extended if confirmed in writing by Anxun Guantong prior to the expiration thereof. The extended term shall be determined by Anxun Guantong, and Ronglian Yitong shall accept such extended term unconditionally.

3) Equity Pledge Agreement

An Equity Pledge Agreement was entered into by and among Anxun Guantong, Ronglian Yitong and equity holders of Ronglian Yitong. To guarantee payment from Ronglian Yitong, including but not limited to the service fee pursuant to the Exclusive Business Cooperation Agreement, and the performance of Ronglian Yitong and the nominee equity holders' obligations under the contractual arrangements including the Exclusive Business Cooperation Agreement, Exclusive Option Agreement and Powers of Attorney, the equity holders of Ronglian Yitong pledged their respective equity in Ronglian Yitong to Anxun Guantong under the Equity Pledge Agreement as collateral. In the event Ronglian Yitong fails to pay Anxun Guantong its service fee, Anxun Guantong will have the right to sell the pledged equity and apply the proceeds received to pay any outstanding service fees due by Ronglian Yitong to Anxun Guantong. The equity holders of Ronglian Yitong agree that, during the term of the Equity Pledge Agreement, they will not dispose of the pledged equity or create or allow any encumbrance on the pledged equity, and they also agree that Anxun Guantong's rights relating to the equity pledges shall not be prejudiced by any legal actions of the equity holders of Ronglian Yitong , their successors or their designees. Except that the pledge of approximately 1.55% of the equity interests of VIE is subject to the registration in compliance with the PRC Property Rights Law, the equity pledge was registered with the relevant local administration for industry and commerce in October 2019 and may only be terminated upon the fulfillment of all contractual obligations under the Exclusive Business Cooperation Agreement, Exclusive Option Agreement and Powers of Attorney. During the term of the Equity Pledge Agreement, Anxun Guantong is entitled to receive dividends attributable to the pledged Ronglian Yitong equity.

4) Exclusive Option Agreement

Each of the equity holders of Ronglian Yitong entered into an Exclusive Option Agreement with Anxun Guantong, and Ronglian Yitong, pursuant to which the equity holders of Ronglian Yitong granted Anxun Guantong or other person upon the designation by Anxun Guantong, an irrevocable and exclusive option to purchase, at its discretion and to the extent permitted under the PRC law, all or part of the equity holders' interests in Ronglian Yitong at the lowest price that the PRC law permits at the time unless a valuation of the equity is required by the PRC law. The equity holders of Ronglian Yitong commit that without the prior written consent of Anxun Guantong, the equity holders of Ronglian Yitong will not, among other things, (1) change or amend the Memorandum and Articles of Association , increase or decrease Ronglian Yitong's registered capital, change its structure of registered capital in other manners; (2) sell, transfer, mortgage or dispose of in any manner any assets of Ronglian Yitong or legal or beneficial interest in the business or revenue of Ronglian Yitong, or allow the encumbrance thereon of any security interest; (3) incur, inherit, guarantee or suffer the existence of any debt, except for (i) debts incurred in the ordinary course of business other than through loans and (ii) debts disclosed to Anxun Guantong for which Anxun Guantong's written consent has been obtained; (4) providing any person with any loan or credit or guarantee in any form; (5) cause or permit Ronglian Yitong to merge, consolidate with, acquire or invest in any person, and/or sell permit Ronglian Yitong to sell assets with a value of over RMB500,000; (6)in any manner distribute dividends to its shareholders; (7) create any pledge or encumbrance on their equity interests in Ronglian Yitong; (8) transfer or otherwise dispose of their equity interests in Ronglian Yitong and its equity holders shall appoint those individuals recommended by Anxun Guantong as directors of Ronglian Yitong. Ronglian Yitong shall provide operating and financial information to the Company at the request of Anxun Guantong and ensure the continuance of the business. The Exclusive Option Agreement will remain effective until all equity interests in Ronglian Yitong held by its equity holders are transferred or assigned to the Company or its designee. Ronglian Yitong and its equity holders shall not have any right to terminate the Exclusive Option Agreement.

5) Spousal Consent Letter

Pursuant to the Spousal Consent Letters executed by the spouse of the principal individual shareholder of the VIE, the signing spouse confirmed that she does not enjoy any right or interest in connection with the equity interests of the VIE. The spouse also irrevocably agreed that she would not claim in the future any right or interest in connection with the equity interests in the VIE held by her spouse.

Risks in relation to the VIE structure

In the opinion of the Company's management, the VIE Agreements have resulted in the WFOE having the power to direct activities that most significantly impact the VIE, including appointing key management, setting up operating policies, exerting financial controls and transferring profit or assets out of the VIE at its discretion. The Company considers that it has the right to receive all the benefits and assets of the VIE. As the VIE was established as a limited liability company under the PRC law, its creditors do not have recourse to the general credit of the Company for the liabilities of the VIE, and the Company does not have the obligation to assume the liabilities of the VIE.

The Company has determined that the VIE Agreements are in compliance with the PRC laws and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce the VIE Agreements; and if the equity holders of the VIE were to reduce their interest in the Company, their interests may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual terms.

The Company's ability to control the VIE also depends on the rights provided to the Company under the Powers of Attorney to vote on all matters requiring equity holders' approval in the respective VIE. As noted above, the Company believes these Powers of Attorney are legally enforceable but yet they may not be as effective as direct equity ownership. In addition, if the corporate structure of the Group or the contractual arrangements among the Company, Anxun Guantong, the VIE and its respective equity holders were found to be in violation of any existing PRC laws and regulations, the relevant PRC regulatory authorities could:

- revoke the business license and/or operating licenses of such entities;
- discontinue or place restrictions or onerous conditions on the Group's operations;
- impose fines, confiscating the income from the VIE, or imposing other requirements with which the Group may not be able to comply;
- require the Group to restructure its ownership structure or operations, including terminating the contractual arrangements with the VIE and deregistering the equity pledges of the VIE, which in turn would affect the Company's ability to consolidate, derive economic interests from, or exert effective control over the VIE; or
- restrict or prohibit our use of the proceeds of this offering to finance our business and operations in the PRC.

The imposition of any of the above restrictions or actions may result in a material and adverse effect on the Group's ability to conduct its business. In addition, if the imposition of any of these restrictions causes the Company to lose the right to direct the activities of the VIE or the right to receive its economic benefits, the Company would no longer be able to consolidate the VIE. The Company's management believes that the likelihood to lose the Company's current
ownership structure or the contractual arrangements with the VIE is remote based on the current facts and circumstances.

There is no VIE in which the Company has a variable interest but is not the primary beneficiary. Currently there is no contractual arrangement that could require the Company to provide additional financial support to the VIE.

The following consolidated assets and liabilities information of the Group's VIE as of December 31, 2022 and 2023, and consolidated revenues, net loss and cash flow information for the years then ended, have been included in the accompanying consolidated financial statements:

	December 31,	
	2022	2023
	RMB	RMB
Cash	82,750	106,603
Restricted cash	525	4,502
Accounts receivable - third parties, net	125,644	140,673
Accounts receivable - related parties, net*	30,113	50,144
Contract assets	50,838	26,107
Amounts due from related parties	211,453	117,764
Prepayments and other current assets	61,184	63,607
Total current assets	**562,507**	**509,400**
Long-term investments	58,530	54,049
Property and equipment, net	13,613	9,943
Operating lease right-of-use assets	14,039	11,094
Intangible assets, net	15,533	13,639
Goodwill	54,427	54,427
Other non-current assets	3,958	2,997
Total assets	**722,607**	**655,549**
Accounts payable	113,687	81,211
Contract liabilities	359,154	363,180
Amounts due to related parties**	1,977,866	2,217,392
Payable for business acquisition	8,915	-
Operating lease liabilities-current	8,871	7,775
Accrued expenses and other current liabilities	89,565	58,859
Total current liabilities	**2,558,058**	**2,728,417**
Operating lease liabilities-non current	4,977	1,942
Deferred income tax liabilities	1,285	857
Total liabilities	**2,564,320**	**2,731,216**

* Accounts receivable-related parties, net includes accounts receivable, net due from the Company and its subsidiaries, which are eliminated upon consolidation, and accounts receivable, net due from one of the Company's shareholders and other related parties of RMB99 and RMB704 as of December 31, 2022, and 2023.

** Amounts due to related parties include amounts due to the Company and its subsidiaries, which are eliminated upon consolidation, and amounts due to one of the Company's shareholders and other related parties of RMB780 and RMB205 as of December 31, 2022 and 2023.

	Year ended December 31,		
	2021	2022	2023
	RMB	*RMB*	*RMB*
Revenues	639,139	636,320	553,910
Net loss	(699,152)	(544,042)	(232,856)
Net cash used in operating activities	(174,049)	(574,227)	(184,395)
Net cash provided by/ (used in) investing activities	(275,719)	26,940	(6,700)
Net cash provided by financing activities	579,690	437,759	218,926
Net increase / (decrease) in cash and restricted cash	129,922	(109,528)	27,831
Cash and restricted cash at the beginning of the year	62,881	192,803	83,275
Cash and restricted cash at the end of the year	192,803	83,275	111,106

In accordance with VIE Agreements, WFOE has the power to direct the activities of the VIE. Therefore, the Company considers that there are no assets in the VIE that can be used only to settle obligations of the VIE, except for restricted cash of RMB525 and RMB4,502 as of December 31, 2022 and 2023, respectively. The creditors of VIEs do not have recourse to the general credit of WFOE.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The accompanying consolidated financial statements contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. The realization of assets and the satisfaction of liabilities in the normal course of business are dependent on, among other things, the Group's ability to operate profitably, to generate cash flows from operations, and its ability to attract investors and to borrow funds on reasonable economic terms.

(b) Principles of Consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, the VIE for which the WFOE is the primary beneficiary, and the VIE's subsidiaries.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power or has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at the meeting of directors. A VIE is an entity in which the Company, or its subsidiary, through contractual arrangements, exercises effective control over the activities that most impact the economic performance, bears the risks of, and enjoys the rewards normally associated with ownership of the entity, and therefore the Company or its subsidiary is the primary beneficiary of the entity.

All intercompany transactions and balances among the Company, its subsidiaries, the VIE, and the VIE's subsidiaries have been eliminated upon consolidation.

The following table lists major subsidiaries and the consolidated VIEs of the Company as of December 31, 2023:

	Palace of Incorporation	Percentage of ownership
Beijing Ronglian Yitong Information Technology Co., Ltd.	PRC	VIE
Beijing Ronglian Qimo Technology Co., Ltd.	PRC	100%
Beijing Ronglian Guanghui Technology Co., Ltd.	PRC	100%
Beijing Baiyi High-tech Information Technology Co., Ltd.	PRC	100%
Beijing Ronglian Huitong Technology Information Co., Ltd.	PRC	100%
Shenzhen Zhongtian Wangjing Technology Co., Ltd.	PRC	100%
Cloopen Japan Co., Ltd.	Japan	100%
Anxun Guantong (Beijing) Technology Co., Ltd.	PRC	100%
Cloopen limited	HK	100%

(c) Use of Estimates

The preparation of the consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures of contingent assets and liabilities at the balance sheet date, and the reported revenues and expenses during the reported period in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates, and as such, differences may be material to the consolidated financial statements. Significant accounting estimates reflected in the Group's financial statements include, but not limited to, revenue recognition, fair value of assets and liabilities acquired in business combination, the allowance for credit loss of accounts receivable and contract assets, depreciable lives and recoverability of property and equipment and intangible assets, assessment of impairment of long-lived assets, intangible assets and goodwill, the realization of deferred income tax assets, the fair value of share based compensation awards, redeemable convertible preferred shares, short-term investments, equity method investments, other equity investments, warrant liabilities, incremental borrowing rates for operating lease liabilities, the fair value of the ordinary shares to determine the existence of beneficial conversion feature of the redeemable convertible preferred shares, and management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances.

In March 2020, the World Health Organization declared the outbreak of a disease caused by a novel strain of the coronavirus ("COVID-19") to be a pandemic. After the initial outbreak of the COVID-19, some instances of COVID-19 infections have emerged from time to time. The COVID-19 pandemic has created and may continue to create significant uncertainty in the macroeconomic environment which, in addition to other unforeseen effects of this pandemic, may adversely impact the Group's results of operations. The extent to which COVID-19 would impacts the results of operations is contingent on the future developments of the outbreak, including constant updates concerning the global severity of and actions needed to contain the outbreak, which are highly uncertain and unpredictable. Due to the uncertainty and the economic implications on global economics conditions from the COVID-19 pandemic, certain estimates and assumptions may change in the near term.

(d) Convenience Translation

Translations of the consolidated financial statements from RMB into US$ as of and for the year ended December 31, 2023 are solely for the convenience of the readers and were calculated at the rate of US$1.00 = RMB7.0999, representing the noon buying rate in The City of New York for cable transfers of RMB as set forth in the H.10 weekly statistical release of Federal Reserve Board on December 31, 2023. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US$ at that rate on December 31, 2023, or at any other rate.

(e) Commitments and Contingencies

In the normal course of business, the Group is subject to loss contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters, including, among others, government investigations, shareholder lawsuits, and non-income tax matters. An accrual for a loss contingency is recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed.

(f) Business combinations

Business combinations are recorded using the acquisition method of accounting in accordance with ASC topic 805 ("ASC 805"): Business Combinations. The acquisition method of accounting requires an acquirer to determine the identifiable acquired assets, the liabilities assumed and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date. The consideration transferred for an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities assumed, and equity instruments issued as well as the contingent considerations as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total cost of the acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings.

(g) Cash

Cash consists of cash on hand and cash at bank. Cash at bank are deposited in financial institutions at below locations:

	December 31,	
	2022	2023
	RMB	RMB
Cash on hand	**23**	**-**
Cash balances include deposits in: Financial institutions in the mainland of the PRC		
—Denominated in Renminbi ("RMB")	209,053	237,178
—Denominated in US$	142,257	58,722
Total cash balances held at mainland PRC financial institutions	**351,310**	**295,900**
Financial institutions in Hong Kong Special Administrative Region ("HKSAR")		
—Denominated in US$	105,357	30,882
Total cash balances held at HKSAR financial institutions	**105,357**	**30,882**
Financial institutions in Japan		
—Denominated in Japanese Yen	53,464	28,544
— Denominated in United Stated Dollars ("USD")	-	14,720
Total cash balances held at Japan financial institutions	**53,464**	**43,264**
Financial institutions in Malaysia		
—Denominated in Malaysian Ringgit	328	413
—Denominated in US$	3,099	286
Total cash balances held at Malaysia financial institutions	**3,427**	**699**
Financial institutions in Singapore		
—Denominated in SGD	7,513	6,153
— Denominated in United Stated Dollars ("USD")	301	46
Total cash balances held at Singapore financial institutions	**7,814**	**6,199**
Financial institutions in the United States		
—Denominated in USD	5,047	-
Total cash balances held at the United States financial institutions	**5,047**	**-**
Financial institutions in Korean		
— Denominated in Korean Won ("KRW")	298	280
— Denominated in United Stated Dollars ("USD")	-	227
Total cash balances held at Korean financial institutions	**298**	**507**
Financial institutions in Mexico		
— Denominated in United Stated Dollars ("USD")	-	**496**
Total cash balances held at Korean financial institutions	**-**	**496**
Total cash balances held at financial institutions	**526,717**	**377,947**
Total cash balances	**526,740**	**377,947**

The bank deposits, including term deposits, with financial institutions in the mainland of the PRC and Japan are insured by the government authorities up to RMB500 and JPY10,000, respectively. The bank deposits including term deposits are insured by the government authorities with amounts up to RMB20,337 and RMB22,854 as of December 31, 2022, and 2023, respectively. The Company has not experienced any losses in uninsured bank deposits and does not believe that it is exposed to any significant risks on cash held in bank accounts. To limit exposure to credit risk, the Company primarily places bank deposits with large financial institutions in the PRC and Japan with acceptable credit rating.

(h) Restricted cash

Cash balances that have restrictions as to withdrawal or usage are considered restricted cash. Restricted cash that will be released to cash within the next 12 months is classified as current asset, while the balance restricted for use longer than one year is classified as non-current asset on the consolidated balance sheets.

(i) Term deposits

Term deposits represent deposits at banks with original maturities more than three months but less than one year. The Group's term deposits were denominated in US$ and were deposited at financial institutions in the mainland of the PRC with the interest rate of 4.2%, and 5.13% per annum as of December 31, 2022 and 2023, respectively.

Term deposits maintained at financial institutions consist of the following:

	2022 RMB	2023 RMB
US$ denominated bank deposits with financial institutions in the PRC	915,845	545,368

To limit exposure to credit risk relating to bank deposits, the Company primarily places term deposits only with large financial institutions in the PRC with acceptable credit rating.

(j) Short-term Investments

The Group's short-term investments represent the Group's investments in financial products managed by financial institutions in the PRC and Cayman which are redeemable at the option of the Group on any working day. Short-term investments are classified as available for sale debt securities and reported at fair value, with unrealized holding gains or losses, net of any related income tax effect, excluded from earnings and recorded as accumulated other comprehensive loss until realized. Realized gains or losses from the sale of short-term investments are determined on a specific identification basis and are recorded as investment income when earned.

(k) Accounts Receivable, net

Prior to January 1, 2023, the Company assesses recoverability of accounts receivable in accordance with ASC 310. Subsequent to January 1, 2023, accounts receivable is recorded at the realizable value amount, net of allowances for credit loss in accordance with ASC 326 and records the allowance for credit losses as an offset to accounts receivable. The estimated credit losses are classified as "General and administrative" in the consolidated statements of comprehensive loss. The Company assesses collectability by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when the Company identifies specific customers with known disputes or collectability issues. In determining the amount of the allowance for credit losses using probability-of-default method, the Company considers size, the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses, and other factors that may affect the Company's ability to collect from customers.

(l) Long-term investments

Equity method investments

The Group applies the equity method to account for an equity interest in an investee over which the Group has significant influence but does not own a majority equity interest or otherwise control.

Under the equity method of accounting, the Group's share of the investee's results of operations is reported as share of losses of equity method investments in the consolidated statements of comprehensive loss.

The Group recognizes an impairment loss when there is a decline in value below the carrying value of the equity method investment that is considered to be other than temporary. The process of assessing and determining whether impairment on an investment is other than temporary requires a significant amount of judgment. To determine whether an impairment is other than temporary, management considers whether it has the ability and intent to hold the investment until recovery and whether evidence indicating the carrying value of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the decline in value, any change in value subsequent to the period end, and forecasted performance of the investee.

Other equity investments

The Group elects the measurement alternative in ASC 321 and measures investments in "equity investment" at cost, adjusted for changes resulting from impairments and observable price changes in orderly transactions for identical or similar securities of the same issuer. The Group considers information in periodic financial statements and other documentation provided by the investees to determine whether observable price changes have occurred.

The Group makes a qualitative assessment considering impairment indicators to evaluate whether the equity investments without a readily determinable fair value is impaired at each reporting period, and written down to its fair value if a qualitative assessment indicates that the investment is impaired and the fair value of the investment is less than its carrying value. If an equity investment without a readily determinable fair value is impaired, the Group includes an impairment loss in net income equal to the difference between the fair value of the investment and its carrying amount.

(m) Property and Equipment, net

Property and equipment are stated at cost less accumulated depreciation and any recorded impairment.

The estimated useful lives are as follows:

Computer and office equipment	3-5 years
Furniture and fixtures	3-5 years
Motor vehicles	4-5 years
Buildings	20 years
Leasehold improvements	The shorter of lease terms and estimated useful lives

Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets.

When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value and the proceeds received thereon. Ordinary maintenance and repairs are charged to expense as incurred.

(n) Intangible Assets, net

Intangible assets purchased from third parties are initially recorded at cost and amortized on a straight-line basis over the estimated economic useful lives. The Group performs valuation of the intangible assets arising from business combination to determine the fair value to be assigned to each asset acquired. The acquired intangible assets are recognized and measured at fair value and are expensed or amortized using the straight-line approach over the estimated economic useful lives of the assets.

The estimated useful lives of intangible assets are as follows:

Software copyrights	8 years
Telecommunication business operation licenses	3-5 years
Technology	6-10 years
Non-compete arrangements	4-7 year
Customer relationship	3-10 years
Trademark	10 years
Order backlogs	1-4 years
Software	3-8 years

(o) Goodwill

Goodwill represents the excess of the purchase consideration over the acquisition date amounts of the identifiable tangible and intangible assets acquired and liabilities assumed from the acquired entity as a result of the Company's acquisitions of interests in its subsidiaries. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. In accordance with ASC 350, the Company may first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. In the qualitative assessment, the Company considers factors such as macroeconomic conditions, industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations, business plans and strategies of the reporting unit, including consideration of the impact of the COVID-19 pandemic. Based on the qualitative assessment, if it is more likely than not that the fair value of a reporting unit is less than the carrying amount, the quantitative impairment test is performed. The Company may also bypass the qualitative assessment and proceed directly to perform the quantitative impairment test.

The Company performs the quantitative impairment test by comparing the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount of a reporting unit exceeds its fair value, the amount by which the carrying amount exceeds the reporting unit's fair value is recognized as impairment. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, allocation of assets, liabilities and goodwill to reporting units, and determination of the fair value of each reporting unit.

(p) Impairment of Long-lived Assets

Long-lived assets such as property and equipment and intangible assets with finite lives are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be fully recoverable or that the useful life is shorter than the Group had originally estimated. When these events occur, the Group evaluates the impairment for the long-lived assets by comparing the carrying value of the assets to an estimate of future undiscounted cash flows expected to be generated from the use of the assets and their eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying value of the assets, the Group recognizes an impairment loss based on the excess of the carrying value of the assets over the fair value of the assets.

(q) Value Added Taxes

The Company's PRC subsidiaries are subject to value added tax ("VAT"). Revenue from providing cloud communication services and communication devices sales are generally subject to VAT at the rate of 6% and 13% since April 1, 2019, or 6% to 16% between May 1, 2018 and April 1, 2019, and subsequently paid to PRC tax authorities after netting input VAT on purchases. The excess of output VAT over input VAT is reflected in accrued expenses and other current liabilities, and the excess of input VAT over output VAT is reflected in prepayments and other current assets in the consolidated balance sheets.

(r) Warrant Liabilities

The freestanding warrants to purchase redeemable convertible preferred shares at a future date were determined to be freestanding instruments that were accounted for as liabilities. At initial recognition, the Group recorded the warrant liabilities on the consolidated balance sheets at their estimated fair value and changes in estimated fair values were included in the change in fair value of warrant liabilities on the consolidated statement of comprehensive loss or allocated to the proceeds from the issuance of the debt instrument to the warrants based on the warrant liabilities fair value. The warrant liabilities are subject to remeasurement at each reporting period and the Group adjusted the carrying value of the warrant liabilities to fair value at the end of each reporting period utilizing the binominal option pricing model, with changes in estimated fair value included in the change in fair value of warrant liabilities on the consolidated statement of comprehensive loss.

(s) Fair Value Measurements

Fair value represents the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

Accounting guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Accounting guidance establishes a three-level fair value hierarchy and requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs are:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2—Include other inputs that are directly or indirectly observable in the marketplace.
Level 3—Unobservable inputs which are supported by little or no market activity.

Accounting guidance also describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

Financial assets and liabilities of the Group primarily consist of cash, restricted cash, term deposits, short-term investments, accounts receivable - third parties, net, accounts receivable - related parties, net, other receivables included in prepayments and other current assets, long-term investment, amounts due from related parties, accounts payable, contract liabilities, other payables included in accrued expenses and other current liabilities. The Group measures short-term investments at fair value on a recurring basis. Short-term investments include financial products issued by financial institutions, which are valued based on prices per units quoted by issuers and are categorized in Level 2 of the fair value hierarchy.

The Group's non-financial assets, such as intangible assets and property and equipment, would be measured at fair value only if they were determined to be impaired.

(t) Revenue recognition

The Group accounts for its revenue contracts in accordance with ASC Topic 606, Revenue from Contracts with Customers (ASC 606). According to ASC 606, revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services. The Group determines revenue recognition through the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

The Group generate substantially all of the Group's revenues from the following services and products:

(1) Communication Platform-as-a-Service ("CPaaS") which allows customers to send text messages and place voice calls using the Company's cloud-based platform;

(2) Cloud-based Contact Centers ("Cloud-based CC") with which customers can operate their virtual contact centers and access related value-added services using the Company's cloud-based platform; and

(3) Cloud-based Unified Communications and Collaborations ("Cloud-based UC&C") where the Company creates customized communications software on customers' private clouds to meet their specific needs and deliver the software licenses to customers.

The Company recognizes revenue upon the transfer of control of promised products or services provided to the Company's customers, in the amount of consideration the Company expect to receive for those products or services (excluding sales taxes collected on behalf of government authorities). The Company's revenue contracts generally do not include a right of return in relation to the delivered products or services.

The timing of revenue recognition may differ from the timing of invoicing to the Company's customers. The Company record a contract asset when revenue is recognized prior to invoicing, and a contract liability when payment is received from a customer in advance of revenue recognition. The Company generally issue invoices based on contract terms, which may be when the services are completed, upon customer acceptance of the Company's deliverables or at preset milestones. Payments are due with standard payment terms which are generally not more than 90 days from invoice issuance.

We recognize the incremental costs of obtaining contracts as selling, general and administrative expenses when incurred if the amortization period of the asset that otherwise would have been recognized is one year or less. Assets recognized for costs to obtain a contract were not material as of December 31, 2023. Costs to fulfill a contract are recorded as assets if they relate directly to a contract or a specific anticipated contract, the costs generate or enhance resources that will be used in satisfying performance obligations in the future and the costs are expected to be recovered. Costs to fulfill a contract recognized as assets primarily consist of labor and materials costs and generally relate to engineering and set-up costs incurred prior to the satisfaction of performance obligations. Assets recognized for costs to fulfill a contract are included in the "Prepaid expenses and other current assets" line of the consolidated balance sheets and were not material as of December 31, 2023. Such assets are recognized as expenses as we transfer the related goods or services to the customer. All other costs to fulfill a contract are expensed as incurred.

As of December 31, 2023, there were no material amounts of remaining performance obligations that are required to be disclosed. As permitted by ASC 606, we have elected not to disclose information about remaining performance obligations where i) the performance obligation is part of a contract that has an original expected duration of one year or less or ii) when we recognize revenue from the satisfaction of the performance obligation in accordance with the right-to-invoice practical expedient.

CPaaS revenues

The Company accounts for revenue from customers' usage of text message and voice call services on the Company's CPaaS platform as two separate performance obligations. The Company's service fees are determined by applying the contractual unit price to the monthly usage volume of text messages sent or minutes of voice calls placed and a contractual monthly fixed charge per subscriber multiplied by the number of subscribers recorded by the Company's CPaaS platform where relevant. The cloud-based services to send text messages and place voice calls are sold separately to customers with observable standalone selling prices.

The Company also provides services as an agent in provision of CPaaS platforms to customers. The Company identified one performance obligation and recognized the revenues, on a monthly basis, at the amount equal to the difference between the amount charged to the customers and the amount charged by telecommunication operators. The gross amount of revenue from services as an agent was RMB166 million, RMB89 million and RMB69 million for the years ended December 31, 2021, 2022 and 2023, respectively. The net amount of revenue from services as an agent was RMB41 million, RMB14 million and RMB16 million for the years ended December 31, 2021, 2022 and 2023, respectively.

The service contracts are generally with a length between 3 and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide the customer with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant the Company or customers a unilateral right to terminate the contracts before completion.

Cloud-based CC revenues

Customers subscribe to the Company's basic Cloud-based CC services at a fixed monthly fee and pay for other value-added services on a usage basis. The Company recognizes the monthly service fees ratably over the contract period during which the Company is obligated to grant customers continuous access to those basic Cloud-based CC services. Revenue for other value-added services on top of the basic subscription is determined by applying the contractual unit price to the monthly usage volume and recognized when the related services are provided to customers. The basic subscription is sold to customers at the same price with or without the value-added services, so the transaction price is allocated on the basis of observable stand-alone selling prices.

The service contracts are generally with a length between 3 and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide customers with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant the Company or customers a unilateral right to terminate the contracts before completion.

The Company also offers customized Cloud-based CC solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. The Company has identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized CC license and other highly interdependent and interrelated services, and has accounted for the promise as one combined performance obligation. The Company applies an iterative process to design, test and implement the software in customers' IT environment and recognizes revenue for this performance obligation over a period of time during which the control of the customized Cloud-based CC solution is progressively transferred to the customers. The Company uses an input method to estimate progress, based on the proportion of the labour hours incurred relative to the estimated total labour hours. The Company also offers standard or non-complex cloud-based CC solutions to customers, and has identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. The Company's Cloud-based CC contracts generally include a standard assurance-type warranty.

Cloud-based UC&C revenues

The Company offers customized Cloud-based UC&C solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. The Company has identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized UC&C license and other highly interdependent and interrelated services, and has accounted for the promise as one combined performance obligation. The Company applies an iterative process to design, test and implement the software in customers' IT environment and recognizes revenue for this performance obligation over a period of time during which the control of the customized UC&C solution is progressively transferred to the customers. The Company uses an input method to estimate progress, based on the proportion of the labour hours incurred relative to the estimated total labour hours. The Company also offers standard or non-complex cloud-based UC&C solutions to customers, and has identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. Our cloud-based UC&C contracts generally include a standard assurance-type warranty.

(u) Cost of Revenues

Cost of revenues mainly consists of payroll and related costs for employees, communication service expense associated with the use of facilities and equipment by these employees, such as rental and depreciation expenses, communication service expense charges to telecom operators or its distributors and cloud service fees to cloud service providers.

(v) Research and Development Expenses

Research and development expenses mainly consist of payroll and related costs for employees involved in researching in the field of cloud communication, and outsourced design expenses as well as expenses associated with the use by these functions of facilities and equipment, such as rental and depreciation expenses. Research and development expenses are expensed as incurred in accordance with ASC 730 amounted to RMB297,360 RMB326,513 and RMB222,538 for the years ended December 31, 2021, 2022 and 2023, respectively.

(w) Selling and Marketing Expenses

Selling and marketing expenses mainly consist of advertising expenses, promotion expenses, payroll and related expenses for personnel engaged in selling and marketing activities and expenses associated with the use by these functions of facilities and equipment, such as rental and depreciation expenses. Advertising expenses are expensed when incurred and are included in selling expenses in the consolidated statements of comprehensive loss. For the years ended December 31, 2021, 2022 and 2023, the advertising expenses were RMB57,618, RMB52,716 and RMB42,885 respectively.

(x) General and Administrative Expenses

General and administrative expenses mainly consist of payroll and related costs for employees involved in general corporate functions, expenses associated with the use of facilities and equipment by these employees, such as rental and depreciation expenses, professional fees and other general corporate expenses.

(y) Share-based Compensation

The Group applied ASC 718, *Compensation-Stock Compensation* ("ASC 718"), to account for its employee share-based payments. Share-based awards granted to the founders and employees in the form of restricted shares are measured at the grant date fair value of the awards, and are recognized as compensation expense using the graded-vesting schedules over the requisite service period for each separately vesting portion (or tranche) of the award. The Group elects to recognize the effect of forfeitures in compensation cost when they occur. To the extent the required vesting conditions are not met resulting in the forfeiture of the share-based awards, previously recognized compensation expense relating to those awards is reversed.

Share-based compensation in relation to the restricted ordinary shares is measured based on the fair value of the Company's ordinary shares at the grant date of the award, which is estimated using the income approach and equity allocation method. Estimation of the fair value of the Company's ordinary shares involves significant assumptions that might not be observable in the market, and a number of complex and subjective variables, discount rate, risk-free interest rate and subjective judgments regarding the Company's projected financial and operating results, its unique business risks, the liquidity of its ordinary shares and its operating history and prospects at the time the grants are made. Share-based compensation in relation to the share options is estimated using the binominal option pricing model. The determination of the fair value of share options is affected by the fair value of the Company's ordinary shares as well as the assumptions regarding a number of complex and subjective variables, including the expected share price volatility, risk-free interest rate, exercise multiple and expected dividend yield. The fair value of these awards was determined by management with the assistance from a valuation report prepared by an independent valuation firm using management's estimates and assumptions.

A change in any of the terms or conditions of share-based awards is accounted for as a modification of the awards. The Company calculates incremental compensation cost of a modification as the excess of the fair value of the modified awards over the fair value of the original awards immediately before its terms are modified at the modification date. For vested awards, the Company recognizes incremental compensation cost in the period the modification occurs. For awards not being fully vested, the Company recognizes the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original awards over the remaining requisite service period after modification.

(z) Employee Benefits

The Company's subsidiaries and the VIE and VIE's subsidiaries in the PRC participate in a government mandated, multi-employers, defined contribution plan, pursuant to which certain retirement, medical, housing and other welfare benefits are provided to employees. PRC labor laws require the entities incorporated in the PRC to pay to the local labor bureau a monthly contribution calculated at a stated contribution rate on the monthly basic compensation of qualified employees. The Company also makes payments to other defined contribution plans and defined benefit plans for the benefit of employees employed by the subsidiary of Japan. The Group has no further commitments beyond its monthly contribution. Employee social benefits included as expenses in the accompanying consolidated statements of comprehensive loss amounted to RMB94,148, RMB104,722 and RMB86,198 for the years ended December 31, 2021, 2022 and 2023, respectively.

(aa) Income Taxes

The Company follows the asset and liability method in according for income taxes in according to ASC topic 740 "Taxation" ("ASC 740"), Income Taxes, Under this method, current income taxes are provided on the basis of income before income taxes for financial reporting purposes, and adjusted for income and expense items which are not assessable or deductible for income tax purposes, deferred income taxes are provided using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the tax effects of temporary differences and are determined by applying enacted statutory tax rates that will be in effect in the period in which the temporary differences are expected to reverse to the temporary differences between the financial statements' carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided to reduce the amount of deferred income tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred income tax assets will not be realized. The effect on deferred income taxes arising from a change in tax rates is recognized in the consolidated statements of comprehensive loss in the period of change.

The Company adopts ASC740 to account for uncertainty in income taxes. ASC740 clarifies a "more likely than not" recognition threshold in the evaluation of uncertain tax positions. The Group recognizes the benefit of a tax position in its consolidated financial statements if the tax position is "more likely than not" to prevail based on the facts and technical merits of the position. Tax positions that meet the "more likely than not" recognition threshold is measured at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. Unrecognized tax benefits may be affected by changes in interpretation of laws, rulings of tax authorities, tax audits, and expiry of statutory limitations. In addition, changes in facts, circumstances and new information may require the Group to adjust the recognition and measurement estimates with regard to individual tax positions. Accordingly, unrecognized tax benefits are periodically reviewed and re-assessed. Adjustments, if required, are recorded in the Group's consolidated financial statements in the period in which the change that necessities the adjustments occur. The ultimate outcome for a particular tax position may not be determined with certainty prior to the conclusion of a tax audit and, in certain circumstances, a tax appeal or litigation process. The Group records interest and penalties related to unrecognized tax benefits (if any) in interest expenses and general and administrative expenses, respectively. As of December 31, 2022 and 2023, the Group did not have any significant unrecognized uncertain tax positions.

(bb) Operating Leases

The Company adopted ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02") from January 1, 2022 by using the modified retrospective method and did not restate the comparable periods. The Company has elected the package of practical expedients, which allows the Company not to reassess (1) whether any expired or existing contracts as of the adoption date are contain a lease, (2) lease classification for any expired or existing leases as of the adoption date and (3) initial direct costs for any expired or existing leases as of the adoption date. The Company also elected the short-term lease exemption for all contracts with lease terms of 12 months or less.

The Company determines if an arrangement is a lease or contains a lease at lease inception. Leases are classified at the inception date as either as a finance lease or an operating lease. The Company classifies a lease as a finance lease when the lease meets any one of the following criteria at lease commencement:

a. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.

b. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

c. The lease term is for a major part of the remaining economic life of the underlying asset.

d. The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments equals or exceeds substantially all of the fair value of the underlying asset.

e. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the Company at the end of the lease term.

For operating leases, the Company recognizes an ROU asset and a lease liability based on the present value of the lease payments over the lease term on the consolidated balance sheets at commencement date. At lease commencement, operating lease ROU assets represent the right to use underlying assets for their respective lease terms and are recognized at amounts equal to the lease liabilities adjusted for any lease payments made prior to the lease commencement date, less any lease incentives received and any initial direct costs incurred by the Company.

After lease commencement, operating lease liabilities are measured at the present value of the remaining lease payments using the discount rate determined at lease commencement.

Operating lease ROU assets are measured at the amount of the lease liabilities and further adjusted for prepaid or accrued lease payments, the remaining balance of any lease incentives received, unamortized initial direct costs and impairment of the ROU assets, if any. Operating lease expense is recorded as a single cost on a straight-line basis over the lease term.

The Company's leases do not provide an implicit rate, the Company estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located.

(cc) Foreign Currency Translation and Foreign Currency Risks

The Company's reporting currency is RMB. The functional currency of the Company and its subsidiary incorporated at Hong Kong S.A.R. is the US$. The functional currency of the Company's subsidiary incorporated at Japan is JPY. The functional currency of the Company's PRC subsidiary, the VIE and the VIE's subsidiaries is RMB.

Transactions denominated in currencies other than the functional currency are remeasured into the functional currency at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in a foreign currency are remeasured into the functional currency using the applicable exchange rate at the balance sheet date. The resulted exchange differences are recorded as foreign currency exchange gains (losses), net in the consolidated statements of comprehensive loss.

The financial statements of the Company, its subsidiary incorporated at Hong Kong S.A.R. and its subsidiary incorporated at Japan are translated from the functional currency into RMB. Assets and liabilities are translated into RMB using the applicable exchange rates at the balance sheet date. Equity accounts other than earnings (deficits) generated in the current period are translated into RMB using the appropriate historical rates. Revenues, expenses, gains and losses are translated into RMB using the average exchange rates for the relevant period. The resulted foreign currency translation adjustments are recorded as a component of other comprehensive loss in the consolidated statements of comprehensive loss, and the accumulated foreign currency translation adjustments are recorded as a component of accumulated other comprehensive loss in the consolidated statements of changes in shareholders' deficit.

RMB is not a freely convertible currency. The PRC State Administration for Foreign Exchange, under the authority of the PRC government, controls the conversion of RMB to foreign currencies. The value of RMB is subject to changes of central government policies and international economic and political developments affecting supply and demand in the PRC foreign exchange trading system market.

(dd) Concentration and Risk

Concentration of customers and suppliers

No customers individually represent greater than 10.0% of total revenues of the Group during the years ended December 31, 2021, 2022 and 2023.

No suppliers individually represent greater than 10.0% of total purchases of the Group during the years ended December 31, 2021. One supplier represents 11.1% of total purchases of the Group during the year ended December 31,2022. Two supplier represents 14.7% and 13.4% of total purchases of the Group during the year ended December 31, 2023, respectively.

Two customers represent 21.0% and 17.1% of total accounts receivable, net including related party amounts and contract assets of the Group as of December 31, 2022, respectively. Two customers represent 15.4% and 13.8% of total accounts receivable, net including related party amounts and contract assets of the Group as of December 31, 2023, respectively.

Two suppliers represent 11.2% and 11.1% of total accounts payable of the Group as of December 31, 2022, respectively. Two suppliers represent 14.7% and 11.3% of total accounts payable of the Group as of December 31, 2023, respectively.

No customers individually represent greater than 10.0% of total contract liabilities of the Group as of December 31, 2022. One customer represents 10.2% of total contract liabilities of the Group as of December 31, 2023.

One supplier individually represents 21.5% of prepayments and other current assets excluding related party amounts of the Group as of December 31, 2022. One supplier individually represents 21.0% of prepayments and other current assets excluding related party amounts of the Group as of December 31, 2023.

Concentration of credit risk

Financial instruments that potentially expose the Group to concentrations of credit risk consist principally of cash, restricted cash, term deposits, short-term investments and accounts receivable. The total amount of these financial instruments was RMB1,989 million and RMB1,494 million as of December 31, 2022 and 2023.

The Group's investment policy requires cash, restricted cash, term deposits and short-term investments to be placed with high-quality financial institutions and to limit the amount of credit risk from any one issuer. The Group regularly evaluates the credit standing of the counterparties or financial institutions.

The Group conducts credit evaluations on its customers prior to delivery of goods or services. The assessment of customer creditworthiness is primarily based on historical collection records, research of publicly available information and customer on-site visits by senior management. Based on this analysis, the Group determines what credit terms, if any, to offer to each customer individually. If the assessment indicates a likelihood of collection risk, the Company will not deliver the services or sell the products to the customer or require the customer to pay cash, post letters of credit to secure payment or to make significant down payments.

Interest rate risk

The Group's short-term bank borrowings bears interests at fixed rates. If the Group were to renew these loans, the Group might be subject to interest rate risk.

(ee) Loss per Share

In accordance with ASC 260, *Earnings per Share,* basic income (loss) per share is computed by dividing net income (loss) attributable to ordinary shareholders by the weighted average number of ordinary shares and participating securities during the period, considering the accretions to redemption value of the preferred shares, by the weighted average number of ordinary shares outstanding during the year using the two-class method. Under the two-class method, any net income is allocated between ordinary shares and other participating securities based on their participating rights. A net loss is not allocated to participating securities when the participating securities does not have contractual obligation to share losses.

The Company's preferred shares and restricted ordinary shares are participating securities. The preferred shares are participating securities as they participate in undistributed earnings on an as-if-converted basis and the restricted ordinary shares are participating securities as the holders of the restricted ordinary shares have a non-forfeitable right to receive dividends with all ordinary shares. Neither the preferred shares nor the restricted ordinary shares has a contractual obligation to fund or otherwise absorb the Group's losses. Accordingly, any undistributed net income is allocated on a pro rata basis to the ordinary shares, preferred shares and restricted ordinary shares; whereas any undistributed net loss is allocated to ordinary shares only.

Unvested restricted ordinary shares are excluded from the weighted average number of ordinary shares outstanding because the restricted ordinary shareholders must return the restricted ordinary shares to the Company, if the specified condition are not met.

Diluted loss per share is calculated by dividing net loss attributable to ordinary shareholders, as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of shares issuable upon the conversion of the preferred shares and shares issuable upon the exercise of warrants, and ordinary shares issuable upon the vest of restricted ordinary shares or exercise of outstanding share option (using the treasury stock method). Ordinary equivalent shares are calculated based on the most advantageous conversion rate or exercise price from the standpoint of the security holder. Ordinary equivalent shares are not included in the denominator of the diluted loss per share calculation when inclusion of such shares would be anti-dilutive.

(ff) Segment Reporting

The Company's chief operating decision maker has been identified as the chief executive officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. For the purpose of internal reporting and management's operation review, the Company's chief executive officer and management personnel do not segregate the Group's business by product or service. All products and services are viewed as in one and the only operating segment.

(gg) Treasury Stock

The Company accounts for treasury stock using the cost method. Under this method, the cost incurred to purchase the stock is recorded in the treasury stock account on the consolidated balance sheets. At retirement of the treasury stock, the ordinary shares account is charged only for the aggregate par value of the shares. The excess of the acquisition cost of treasury stock over the aggregate par value is allocated between additional paid-in capital and retained earnings.

(hh) Statutory Reserves

In accordance with the PRC Company Laws, the Group's PRC subsidiary, VIE and VIE's subsidiaries must make appropriations from their after-tax profits as determined under the generally accepted accounting principles in the PRC ("PRC GAAP") to non-distributable reserve funds including statutory surplus fund and discretionary surplus fund. The appropriation to the statutory surplus fund must be 10% of the after-tax profits as determined under PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of the PRC companies. Appropriation to the discretionary surplus fund is made at the discretion of the PRC companies.

The statutory surplus fund and discretionary surplus fund are restricted for use. They may only be applied to offset losses or increase the registered capital of the respective companies. These reserves are not allowed to be transferred to the Company by way of cash dividends, loans or advances, nor can they be distributed except for liquidation.

During the years ended December 31, 2022 and 2023, no profit appropriation to statutory surplus fund for the Group's entities incorporated in the PRC. No appropriation to discretionary surplus fund was made for any of the periods presented by the Group's PRC subsidiary, VIE and VIE's subsidiaries.

(ii) Impact of newly adopted accounting pronouncement

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805) – Accounting for Contract Assets and Contract Liabilities from Contracts with Customers,* which requires that an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606, as if it had originated the contracts. Prior to this ASU, an acquirer generally recognizes contract assets acquired and contract liabilities assumed that arose from contracts with customers at fair value on the acquisition date. The ASU is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The ASU is to be applied prospectively to business combinations occurring on or after the effective date of the amendment (or if adopted early as of an interim period, as of the beginning of the fiscal year that includes the interim period of early application). The Group adopted this guidance on January 1, 2023 with no material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses*, which introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments, including, but not limited to, trade and other receivables and net investments on leases. The Group assessed that trade receivables, contract assets, other current assets and other non-current assets are within the scope of ASC 326. The Group has identified the relevant risk characteristics of accounts receivable and contract assets which include size, the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses, etc. Other key factors that influence the expected credit loss analysis include industry-specific factors that could impact the credit quality of the Group's receivables. This is assessed at year end based on the Group's specific facts and circumstances. All forward looking statements are, by their nature, subject to risks and uncertainties, many of which are beyond the Group's control. Primarily as a result of the macroeconomic and market turmoil caused by COVID-19, the Group updated the model based on the continuously monitoring result and took the latest available information into consideration.

The Group adopted this ASC 326 on January 1, 2023 using a modified retrospective approach with a cumulative effect recorded as an increase of accumulated deficit in the amount of RMB196, which contributed by a decrease of accumulated deficit of RMB183 from the expected credit loss provision for accounts receivables and an increase of accumulated deficit of RMB379 from the expected credit loss provision for contract assets.

Other current assets and other non-current assets of the Group primarily consist of prepayment to suppliers, contract deposits and rent deposits, which don't carry significant expected credit loss provision, and the expected loss of which is recognized individually. The following tables summarize the activity in the allowance for credit losses related to accounts receivable and contract assets for the year ended December 31, 2023.

Accounts receivable, net

	December 31,		
	2022	2023	
	RMB	RMB	US$
Accounts receivable	214,923	243,772	34,335
Allowance for credit loss	(81,247)	(99,647)	(14,035)
Accounts receivable, net	**133,676**	**144,125**	**20,300**

The following movement represents the movement in the allowance for credit losses:

	Year ended December 31,		
	2022	2023	
	RMB	RMB	US$
Balance at the beginning of the year	**57,360**	**81,247**	**11,443**
Adoption of ASC326	-	(183)	(26)
Provisions	23,887	18,583	2,617
Write-off	-	-	-
Balance at the end of the year	**81,247**	**99,647**	**14,034**

Contract assets, net

	December 31,		
	2022	2023	
	RMB	RMB	US$
Contract assets	63,144	36,469	5,136
Allowance for credit loss	(12,306)	(10,362)	(1,459)
Contract assets, net	**50,838**	**26,107**	**3,677**

The following movement represents the movement in the allowance for credit losses:

	Year ended December 31,		
	2022	2023	
	RMB	RMB	US$
Balance at the beginning of the year	**10,604**	**12,306**	**1,733**
Adoption of ASC326	-	379	53
Provisions	1,702	(2,323)	(327)
Write-off	-	-	-
Balance at the end of the year	**12,306**	**10,362**	**1,459**

(jj) Recently issued accounting pronouncements not yet adopted

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. This guidance also requires certain disclosures for equity securities subject to contractual sale restrictions. The new guidance is required to be applied prospectively with any adjustments from the adoption of the amendments recognized in earnings and disclosed on the date of adoption. This guidance is effective for the Company for the year ending December 31, 2024 and interim reporting periods during the year ending December 31, 2024. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the group's consolidated financial statements.

In September 2022, the FASB issued ASU 2022-04, *Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*, which require a buyer in a supplier finance program disclose qualitative and quantitative information about the supplier finance program. The amendments do not affect the recognition, measurement, or financial statement presentation of obligations covered by supplier finance programs. The new guidance is required to be applied retrospectively to each period in which a balance sheet is presented, except for the amendment on rollforward information, which should be applied prospectively. This guidance is effective for the Company for the year ending December 31, 2024 and interim reporting periods during the year ending December 31, 2024. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the group's consolidated financial statements.

In March 2023, the FASB issued ASU No. 2023-02, *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*, that is intended to improve the accounting and disclosures for investments in tax credit structures. This ASU allows reporting entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for all entities in any interim period. The adoption of ASU 2023-02 is not expected to have any impact on the Company's consolidated financial statements.

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*. This standard was issued in response to the SEC's disclosure update and simplification initiative, which affects a variety of topics within the Accounting Standards Codification. The amendments apply to all reporting entities within the scope of the affected topics unless otherwise indicated. The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The Company is currently evaluating the impact this guidance will have on its financial statement disclosures.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The ASU expands public entities' segment disclosures by requiring disclosure of significant segment expenses that are regularly reviewed by the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items, and interim disclosures of a reportable segment's profit or loss and assets. The ASU also allows, in addition to the measure that is most consistent with U.S. GAAP, the disclosure of additional measures of segment profit or loss that are used by the CODM in assessing segment performance and deciding how to allocate resources. The ASU is effective for the Company's Annual Report on Form 20F for the fiscal year ended December 31, 2024, and subsequent interim periods, with early adoption permitted. The Company does not expect the adoption of this ASU will have a significant impact on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which improves income tax disclosures. The amendments require the disclosure of specific categories in the rate reconciliation and additional information for reconciling items that meet a quantitative threshold. The amendments also require disaggregated information about the amount of income taxes paid (net of refunds received), Income (or loss) from continuing operations before income tax expense (or benefit) and Income tax expense (or benefit) from continuing operations. The new guidance is required to be applied either prospectively or retrospectively. This guidance is effective for the Company for the year ending March 31, 2026. Early adoption is permitted. The Company is evaluating the impact of the adoption of this guidance.

In March 2024, the Securities and Exchange Commission issued *The Enhancement and Standardization of Climate - Related Disclosures for Investors,* which requires entities to provide information of certain climate - related information. This update will be effective for the Company's fiscal years beginning in 2027. The Company is currently in the process of evaluating the disclosure impact.

In November 2024, the FASB issued ASU2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. The standard will require additional disclosure of the nature of expenses included in the income statement in response to longstanding requests from investors for more information about an entity's expenses. The new standard requires disclosures about specific types of expenses included in the expense captions presented on the face of the income statement as well as disclosures about selling expenses. ASU2024-03 applies to all public business entities and is effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods within annual reporting periods beginning after December 15, 2027. The requirements will be applied prospectively with the option for retrospective application. Early adoption is permitted. We are evaluating this standard to determine if adoption will have a material impact on our consolidated financial statements.

3. BUSINESS ACQUISITION

The Company accounted for its acquisition in accordance with ASC 805, "Business Combination" ("ASC 805"). The result of the acquiree's operation has been included in the consolidated financial statements since the acquisition date. The excess of the fair value of the consideration transferred over the fair value of net tangible and intangible assets acquired was recorded as goodwill, which is not deductible for corporate income taxation purposes.

a) Acquisition of EliteCRM

On March 10, 2021, the Company entered into a definitive agreement to acquire all the equity interests of EliteCRM in exchange for RMB180 million consideration in cash. EliteCRM was a customer relationship management software provider, and the Group expected to generate synergy with the Cloud-based CC service line after the closing of acquisition. The Group obtained the control of EliteCRM business on March 22, 2021, and paid off the cash consideration for the year ended December 31, 2021.

The acquisition was recorded as a business combination. The Group determined the fair values of assets acquired and liabilities assumed for this acquisition with assistance of an independent appraiser. The goodwill resulting from the acquisition is primarily attributable to the assembled workforce and established network of customers around China. The acquired goodwill is not deductible for tax purposes. A summary of identifiable assets acquired and liabilities assumed in connection with the acquisition is as follows:

Purchase consideration:	**RMB**
cash	180,000

Recognized amounts of identifiable assets acquired and liabilities assumed:	**March 22,2021**
Cash	3,986
Accounts receivable	6,455
Prepaid expenses and other current assets	765
Property and equipment, net	4,944
Intangible assets	
Trademark	4,632
Non-compete arrangements	85
Customer relationship	15,000
Technology	4,588
Accounts payable	(5,215)
Contract liabilities	(568)
Accrued expenses and other current liabilities	(8)
Deferred income tax liability	(1,665)
Total identifiable assets acquired and liabilities assumed	32,999
Goodwill	147,001

The intangible assets consist of trademark, non-compete arrangements, customer relationship and Technology. The fair values of trademark of RMB4,632, non-competition arrangements of RMB85, customer relationship of RMB15,000 and Technology of RMB 4,588 are amortized over 8 years, 2 years, 10 years and 6 years, respectively on a straight-line basis.

Intangible assets and goodwill arising from the above acquisition was subjected to annual impairment assessment, and impairment loss of nil, RMB8,691 and nil from intangible assets, and impairment loss of RMB82,467, RMB10,107 and nil from goodwill was recorded for the year ended December 31 2021, 2022 and 2023, respectively (refer to Note 10, and 11).

Since the date of acquisition, EliteCRM have contributed RMB48,701 and RMB8,968 in aggregate to the Group's Revenue and loss, respectively, for the year ended December 31 2021.

Had the combination taken place on 1 January 2021, the revenue of the Group would have been RMB759,057, and loss of the Group would have been RMB898,419 respectively, for the year ended 31 December 2021.

b) Acquisition of Kunlunjiexin

On August 10, 2021, the Company entered into a share purchase agreement with the largest shareholder of Beijing Kunlunjiexin technology Co., LTD ("Kunlunjiexin") to acquire 58.1273% equity interests of Kunlunjiexin in exchange for RMB23 million consideration in cash. Kunlunjiexin mainly provided AI risk management solutions to energy industry, and the Group expected to generate synergy with the Cloud-based UC&C service line after the closing of acquisition. The Group obtained the control of Kunlunjiexin business on August 31, 2021, and paid cash consideration of RMB23 million for the year ended December 31, 2021.

According to the share purchase agreement, all shareholders will dilute a total of 11.5% equity interest, on a pro rate basis, to setup an ESOP plan upon six months after closing of the acquisition. According to ASC 718, *Compensation-Stock Compensation* ("ASC 718"), the shares to be retained for ESOP, which plans to issue shares to employees and management members of Kunlunjiexin should be accounted as compensation for post-combination service as the share options or restricted shares are restricted and are subject to a vesting schedule of service period and forfeiture to the extent any restricted shares remain unvested in case of early termination of employment. As of December 21, 2021, the ESOP plan was canceled, and as of the reporting date, the Company has not approved any incentive plan in this ESOP.

The acquisition was recorded as a business combination, the Group determined the fair values of assets acquired and liabilities assumed for this acquisition with assistance of an independent appraiser. The goodwill resulting from the acquisition is primarily attributable to the assembled workforce and established network of customers around China. The acquired goodwill is not deductible for tax purposes. A summary of identifiable assets acquired and liabilities assumed in connection with the acquisition is as follows:

Purchase consideration:	**RMB**
cash	23,100

Recognized amounts of identifiable assets acquired and liabilities assumed:	**August 31,2021**
Cash	31
Accounts receivable	936
Prepaid expenses and other current assets	15,578
Property and equipment, net	16
Intangible assets	
Technology	147
Deferred income tax assets	1,327
Accounts payable	(9,050)
Contract liabilities	(624)
Accrued expenses and other current liabilities	(1,690)
Total identifiable assets acquired and liabilities assumed	6,671
Fair value of non-redeemable non-controlling interests in Kunlunjiexin	(2,793)
Goodwill	19,222

The intangible assets are Technology. The fair value of Technology is RMB147, which is amortized over 5 years, on a straight-line basis.

Intangible assets and goodwill arising from the above acquisition was subjected to the annual impairment assessment, and impairment loss of RMB136 and RMB19,222 from intangible assets and goodwill was recorded for the year ended December 2021, respectively (refer to Note 10, and 11).

The acquisition above did not have a material impact on the Group's consolidated financial statements, and, therefore, pro forma disclosures have not been presented.

c) Acquisition of Joytel Singapore PTE. Ltd

On November 12, 2021, the Company entered into a share purchase agreement with all of the selling shareholders of Joytel Singapore PTE. Ltd to acquire 100% equity interests of Joytel Singapore PTE. Ltd in exchange for RMB64 consideration in cash. The Group obtained the control of Joytel Singapore PTE. Ltd on November 30, 2021, and paid off the cash consideration of RMB64 in November, 2021.

The acquisition was recorded as a business combination. The total identifiable assets acquired and liabilities assumed was RMB6, and no intangible assets and goodwill was identified. The different between the consideration and total identifiable assets acquired and liabilities amounting RMB58 was recognized in expenses during the year ended in December 31, 2021.

d) Acquisition of Zhuge Inc.

On December 8, 2021, the Company entered into a share purchase agreement with all of the selling shareholders of Zhuge Inc. to acquire 100% equity interests of Zhuge Inc. in exchange for RMB93.5 million consideration in cash and 30,463 ordinary shares of the Company. Zhuge Inc. mainly provided professional data intelligence solutions, and the Group expected to generate synergy with the Cloud-based CC service line after the closing of acquisition. The Group obtained the control of Zhuge Inc. on December 22, 2021 and paid off the cash consideration of RMB93.5 million as of the report date.

The acquisition was recorded as a business combination. The Group determined the fair values of assets acquired and liabilities assumed for this acquisition with assistance of an independent appraiser. The goodwill resulting from the acquisition is primarily attributable to the assembled workforce and established network of customers around China. The acquired goodwill is not deductible for tax purposes. A summary of identifiable assets acquired and liabilities assumed in connection with the acquisition is as follows:

Purchase consideration:	**RMB**
cash	93,511
Fair value of 30,463 ordinary shares	300
	93,811

Recognized amounts of identifiable assets acquired and liabilities assumed:	**December 31, 2021**
Cash	6,551
Accounts receivable	815
Prepaid expenses and other current assets	635
Property and equipment, net	19
Intangible assets	
Trademark	2,840
Non-compete arrangements	720
Order backlogs	8,560
Customer relationship	-
Technology	6,400
Short-term loan	(5,500)
Accounts payable	(1,220)
Contract liabilities	(4,129)
Accrued expenses and other current liabilities	(12,780)
Deferred income tax liability	(4,630)
Long-term borrowings	(9,144)
Total identifiable assets acquired and liabilities assumed	(10,863)
Goodwill	104,674

The intangible assets consist of trademark, non-compete arrangements, order backlogs, customer relationship and Technology. The fair values of trademark of RMB2,840, non-competition arrangements of RM720, order backlogs of RMB8,560, and Technology of RMB6,400 are amortized over 10 years, 4 years, 4 years and 7 years, respectively on a straight-line basis.

The consideration was negotiated and determined several months before the signature of the share purchase agreement. The Company made the annual impairment test on goodwill, and an impairment loss of RMB47.4 million for goodwill was recorded for the year ended December 31, 2021 (refer to Note 11).

Intangible assets and goodwill arising from the above acquisition was subjected to the annual impairment assessment, and impairment loss of RMB15,002 and RMB57,271 from intangible assets and goodwill was recorded for the year ended December 2022, respectively (refer to Note 10, and 11).

The acquisition above did not have a material impact on the Group's consolidated financial statements, and, therefore, pro forma disclosures have not been presented.

e) Acquisition of Molun SCRM

On January 26, 2022, the Company entered into a definitive agreement to acquire all the equity interests of Molun SCRM business with the cash consideration of RMB31.8 million, which was the private domain social customer relationship management ("SCRM") software provider targeting car OEMs and dealers. The Group expected to generate synergy with the Cloud-based CC service line after the closing of acquisition. The Group obtained the control of Molun SCRM business in March, 2022 and paid off the cash consideration of RMB31.8 million as of December 31, 2022.

The transaction was accounted for under the acquisition method of accounting in accordance with ASC Topic 805. The acquisition was recorded as a business combination. The Group determined the fair values of assets acquired and liabilities assumed for this acquisition with assistance of an independent appraiser. The goodwill resulting from the acquisition is primarily attributable to the assembled workforce and established network of customers around China. The acquired goodwill is not deductible for tax purposes. A summary of identifiable assets acquired and liabilities assumed in connection with the acquisition is as follows:

Purchase consideration:	**RMB**
cash	31,800

Recognized amounts of identifiable assets acquired and liabilities assumed:	**March, 2022**
Prepaid expenses and other current assets	150
Intangible assets	
Order backlogs	100
Trademark	1,000
Technology	3,730
Contract liabilities	(12,002)
Deferred income tax liability	(1,207)
Total identifiable assets acquired and liabilities assumed	**(8,229)**
Goodwill	40,029

The intangible assets consist of non-compete arrangements, customer relationship and Technology. The fair values of order backlogs of RMB100, trademark of RMB1,000 and Technology of RMB3,730 are amortized over 1 year, 10 years and 9 years, respectively on a straight-line basis.

Intangible assets and goodwill arising from the above acquisition was subjected to the annual impairment assessment, and impairment loss of RMB4,318 and RMB40,029 from intangible assets and goodwill was recorded for the year ended December 31, 2022, respectively (refer to Note 10, and 11).

The acquisition above did not have a material impact on the Group's consolidated financial statements, and, therefore, pro forma disclosures have not been presented.

4. CASH AND RESTRICTED CASH

A reconciliation of cash and restricted cash in the consolidated balance sheets to the amounts in the consolidated statement of cash flows is as follows:

	December 31,	
	2022	2023
	RMB	RMB
Cash	526,740	377,947
Restricted cash	525	4,502
Total cash and restricted cash shown in the consolidated statements of cash flows	**527,265**	**382,449**

The balances of restricted cash were mainly related to bank deposits for performance guarantee, which were restricted for use as of December 31, 2022 and 2023, and will be released from restriction within the next 12 months.

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following:

	December 31,	
	2022	2023
	RMB	RMB
Accounts receivable - third parties	214,819	242,944
Allowance for credit loss - third parties	(81,242)	(99,523)
Accounts receivable - third parties, net	**133,577**	**143,421**
Accounts receivable – related parties	104	828
Allowance for credit loss – related parties	(5)	(124)
Accounts receivable – related parties	**99**	**704**

The movement of the allowance for credit loss including both account receivables due from third parties and a related party is as follows:

Allowance for credit loss - third parties	Year ended December 31,	
	2022	2023
	RMB	RMB
Balance at the beginning of the year	**57,344**	**81,242**
Additions charged to credit loss	23,898	18,281
Write-off	-	-
Balance at the end of the year	**81,242**	**99,523**

Allowance for credit loss –related parties	Year ended December 31,	
	2022	2023
	RMB	RMB
Balance at the beginning of the year	**16**	**5**
Additions charged to credit loss	(11)	119
Balance at the end of the year	**5**	**124**

The aging analysis table of allowance for credit loss is as follows:

	As of December 31,	
	2022	2023
	RMB	RMB
Within 1 year	(7,031)	(61,083)
Thereafter	(74,211)	(38,440)
Allowance for credit loss - third parties	**(81,242)**	**(99,523)**
Within 1 year	(5)	(124)
Allowance for credit loss - related parties	**(5)**	**(124)**

6. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as of December 31, 2022 and 2023 consisted of the following:

	December 31,	
	2022	2023
	RMB	RMB
Advance to suppliers	60,721	44,277
Deposits	11,417	13,452
Staff advances	902	967
Deductible input VAT	25,975	39,999
Receivables from third party payment platforms	1,387	1,594
Others	7,727	9,166
Prepayments and Other Current Assets	108,129	109,455

7. LONG-TERM INVESTMENTS

	For the year ended December 31,	
	2022	2023
	RMB	RMB
Equity method investments		
Shanghai Keshen Information Technology Co., Ltd.	14,146	13,165
Beijing Lingshang Chunding Technology Co., Ltd.	-	-
Total equity method investments	**14,146**	**13,165**
Other equity investments		
Shanghai Yuhuan Information System Co.Ltd.	18,784	18,784
Beijing Hujingtiaoyue Technology Co., Ltd.	11,000	11,000
Xinyu Hongling Investment Management Center (limited Partnership)	14,600	11,100
Total other equity investments	**44,384**	**40,884**
Total long-term investments	**58,530**	**54,049**

(a) Equity method investments

Investments in Shanghai Keshen

In November 2021, Ronglian Yitong aquired 20% equity interest of Shanghai Keshen Information Technology Co., Ltd. ("Shanghai Keshen"), which is principally engaged in technology development, technology transfer, technical consultation and technical services, at a cash consideration of RMB15 million. Ronglian Yitong has the right to appoint one out of three directors for the year ended December 31, 2021. The investments are accounted for under the equity method as Ronglian Yitong is able to exercise significant influence through its board representation. Ronglian Yitong recognized its share of loss RMB479, RMB1,969 and RMB981 for the year ended December 31, 2021, 2022 and 2023. The Company performed an impairment analysis in 2021, 2022 and 2023, and recognized RMB406, nil and nil impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

Investments in Beijing Lingshang

In January 2023, Ronglian Yitong aquired 20% equity interest of Beijing Lingshang Chunding Technology Co., Ltd. ("Beijing Lingshang"), which is principally engaged in intelligent voice product development, technology transfer, technical consultation and technical services, at a cash consideration of RMB5 million. Ronglian Yitong has the right to appoint one out of three directors for the year ended December 31, 2023. The investments are accounted for under the equity method as Ronglian Yitong is able to exercise significant influence through its board representation. Ronglian Yitong recognized its share of loss RMB489 for the year ended December 31, 2023. The Company performed an impairment analysis in 2023, and recognized RMB4,511 impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

(b) Other equity investments

Investments in Hujingtiaoyue

In September 2017, Ronglian Yitong entered into a share purchase agreement to acquire 6.56% equity interest of Beijing Hujingtiaoyue Technology Co., Ltd. ("Hujingtiaoyue"), which is principally engaged in provision of artificial intelligence marketing solutions, at a cash consideration of RMB4,000. According to the shares purchase agreement, Ronglian Yitong, together with another shareholder, has the right to appoint one director. The Group accounts for its investment in Hujingtiaoyue as other equity investments since its investment is not in-substance common stock due to the liquidation preference feature, and does not have readily determinable fair value. The Group elected to measure other equity investments without a readily determinable fair value at cost adjusted for changes resulting from impairments, if any, and observable price changes in orderly transactions for the identical or similar securities of the same issuer.

In June 2018, Hujingtiaoyue entered into new financing agreements with new investors. After Hujingtiaoyue's new financing, Ronglian Yitong's equity interest in Hujingtiaoyue decreased to 5.45% and Ronglian Yitong, together with another shareholder, remains the right to appoint one director. The new financing provided an observable price for Ronglian Yitong's investment in Hujingtiaoyue and Ronglian Yitong evaluated the investment's carrying amount based on the observable price and recognized a gain of RMB100 from the change in fair value.

In May 2019, Hujingtiaoyue entered into new financing agreements with new investors. After Hujingtiaoyue's new financing, Ronglian Yitong's equity interest in Hujingtiaoyue further decreased to 4.29% and Ronglian Yitong, together with another shareholder, remains the right to appoint one director. The new financing provided an observable price for Ronglian Yitong's investments in Hujingtiaoyue and Ronglian Yitong evaluated this investment's carrying amount based on the observable price, and recognized a gain of RMB900 from the change in fair value.

In May 2021, Hujingtiaoyue conducted reorganization and setup Beijing Tanma Qifu Technolory Co., Ltd.("Beijing Tanma"), a new VIE. All shareholders of Hujingtiaoyue were transferred to Beijing Tanma, on a pro rate basis. Ronglian Yitong owned 4.29% equity interest in Beijing Tanma.

In October 2021 and December 2021, Beijing Tanma entered into new financing agreements with new investors. After Beijing Tanma's new financing, Ronglian Yitong's equity interest in Beijing Tanma further decreased to 2.45%. Since May 2021, Ronglian Yitong had no right to appoint any director due to reduction of equity interest. The new financing provided an observable price for Ronglian Yitong's investments in Hujingtiaoyue and Ronglian Yitong evaluated the investment's carrying amount based on the observable price, and recognized a gain of RMB8,000 from the change in fair value.

The new financing agreement with new investors provided the observable price for other equity investment and the fair value adjustment was determined primarily based on the market approach as of the transaction date, which takes into consideration a number of factors including recent financing pricing which shall be adjusted as similar securities to reflect difference in the rights and obligations between the equity security that was transacted and the equity security held by the Company, and discount rates from traded companies in the industry and requires the Company to make certain assumptions and estimates regarding industry factors. Specifically, some of the significant unobservable inputs

included discount of lack of marketability. The assumptions are inherently uncertain and subjective. Changes in any unobservable inputs may have a significant impact on the fair values.

In December 2022 and 2023, The Company performed impairment analysis, and recognized RMB2,000 and nil impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

Investments in Xinyu Hongling

In August 2021, Ronglian Yitong and other third party entities set up a limited partnership, Xinyu Hongling Investment Management Center (limited partnership) ("Xinyu Hongling"), which is mainly engaged in investment management and asset management, with a subscribed capital of RMB150 million. Xinyu Hongling's fund is used to invest in Xicheng Zhiyuan Digital Power Selection (Beijing) Investment Center (Limited Partnership) ("Xicheng Zhiyuan"), with a target subscription amount of RMB751 million. The subscribed capital contribution of Ronglian Yitong is RMB20,000, accounting for 13.33% and 2.66% of the registered capital of Xinyu Hongling and Xicheng Zhiyuan. As at December 31, 2021, Ronglian Yitong made the capital contribution of RMB20,000 to Xinyu Hongling, and Xinyu Hongling made the capital contribution of RMB75,000 to the Xicheng Zhiyuan, which received its capital funds of RMB340.5 million. According to the investment agreement, Ronglian Yitong does not have the right to appoint any directors. The Group accounts for its investment in Xinyu Hongling as other equity investments since its investment is not in-substance common stock due to the liquidation preference feature, and does not have readily determinable fair value. The Group elected to measure other equity investments without a readily determinable fair value at cost adjusted for changes resulting from impairments, if any, and observable price changes in orderly transactions for the identical or similar securities of the same issuer.

In December 2022 and 2023, the Company performed an impairment analysis, and recognized RMB5,400 and RMB3,500 impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

Investments in Shanghai Yuhuan

The Company performed impairment analysis for Shanghai Yuhuan Information System Co., Ltd. ("ShanghaiYuhuan") in 2021, 2022 and 2023, and recognized RMB4,256, nil and nil impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value. To estimate the fair value of investment in Shanghai Yuhuan, the Company used discounted cash flow model ("DCF Model"), which is based on the fair value of the entire invested capital of Shanghai Yuhuan using an income approach. The significant inputs for the valuation model include, but not limited to, future cash flows, discount rate, and the comparable selection set of companies operating in similar businesses.

8. PROPERTY AND EQUIPMENT, NET

Property and equipment as of December 31, 2022 and 2023 consisted of the following:

	December 31,	
	2022	2023
	RMB	RMB
Computer and office equipment	23,301	22,045
Furniture and fixtures	3,323	2,855
Motor vehicles	938	938
Leasehold improvement	2,618	3,431
Buildings	4,702	4,702
Property and Equipment	34,882	33,971
Less: Accumulated depreciation	20,493	23,586
Property and Equipment, net	14,389	10,385

Depreciation expenses were RMB5,507, RMB5,304 and RMB5,383 for the years ended December 31, 2021, 2022 and 2023, respectively.

Depreciation expenses on property and equipment were allocated to the following expense items:

	Year ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Cost of revenues	1,404	22	279
Research and development expenses	1,395	1,403	2,019
Selling and marketing expenses	1,703	2,158	1,299
General and administrative expenses	1,005	1,721	1,786
Total depreciation expenses	5,507	5,304	5,383

9. Lease

The Group has entered into various non-cancellable operating lease agreements for certain offices. The Group determines if an arrangement is a lease, or contains a lease, at inception and record the leases in the financial statements upon lease commencement, which is the date when the underlying asset is made available for use by the lessor.

The balances for the operating and finance leases where the Group is the lessee are presented as follows within the consolidated balance sheet:

	For the year ended December 31,		
Operating leases:	2022	2023	
Assets :	RMB	RMB	US$
Right-of-use assets - operating lease	16,342	13,992	1,971
Liability :			
Current portion of operating lease liabilities	10,162	10,300	1,451
Non-current operating lease liabilities	6,448	2,164	305
Total operating lease liabilities	**16,610**	**12,464**	**1,756**

The components of lease expenses were as follows:

	For the year ended December 31,		
	2022	2023	
Lease Cost	**RMB**	**RMB**	**US$**
Amortization of right-of-use assets	24,158	14,437	2,033
Interest of operating lease liabilities	1,414	3,210	414
Expenses for short-term leases within 12 months and other non-lease component	2,315	2,022	226
Total lease cost	**27,887**	**19,669**	**2,673**

As of December 31, 2022 and 2023, the weighted average remaining lease term was 1.74 and 1.28 years and weighted average discount rate was 5.28% and 5.49% for the Company's operating leases.

For the year ended December 31, 2021, 2022 and 2023, the Company recognized lease expense of RMB23,738, RMB26,954 and RMB19,669, respectively, under ASC 840.

Supplemental cash flow information related to leases where we are the lessee is as follows:

	For the year ended December 31,		
	2022	2023	
	RMB	RMB	US$
Cash payments for operating leases	27,575	20,582	2,899
ROU assets obtained in exchange for operating lease liabilities	7,455	7,825	1,102

As of Dec 31, 2023, the maturities of our operating are as follows:

	Operating Lease	
Year ending December 31.	**RMB**	**US$**
2024	11,255	1,585
2025	2,320	327
Total future lease payments	**13,575**	**1,912**
Less: Imputed interest	1,111	156
Total lease liability balance	**12,464**	**1,756**

As of Dec 31, 2022, the maturities of our operating are as follows:

	Operating Lease	
Year ending December 31.	**RMB**	**US$**
2023	**13,260**	**1,923**
2024	6,031	874
2025	941	136
Total future lease payments	20,232	2,933
Less: Imputed interest	2,895	420
Total lease liability balance	**17,337**	**2,513**

10. INTANGIBLE ASSETS, NET

The following table summarizes the Company's intangible assets, as of December 31, 2022 and 2023.

	December 31, 2022				
	Gross carrying amount	Accumulated amortization	Accumulated impairment	Net carrying amount	Weighted average amortization Period
	RMB	RMB	RMB	RMB	Years
Software copyrights	16,109	(9,833)	-	6,276	7.0
Telecommunication business operation licenses	2,882	(2,787)	-	95	4.0
Technology	14,865	(2,608)	(10,474)	1,783	7.2
Non-compete arrangements	805	(254)	(545)	6	3.8
Customer relationship	15,000	(2,625)	(5,586)	6,789	10.0
Trademark	8,472	(1,381)	(5,106)	1,985	8.9
Order backlogs	8,660	(2,223)	(6,437)	-	4.0
Total	66,793	(21,711)	(28,148)	16,934	

	December 31, 2023				
	Gross carrying amount	Accumulated amortization	Accumulated impairment	Net carrying amount	Weighted average amortization Period
	RMB	RMB	RMB	RMB	Years
Software copyrights	16,860	(11,627)	-	5,233	7.2
Telecommunication business operation licenses	2,882	(2,819)	-	63	4.0
Technology	14,865	(3,027)	(10,474)	1,364	7.2
Non-compete arrangements	805	(260)	(545)	-	3.8
Customer relationship	15,000	(3,448)	(5,586)	5,966	10.0
Trademark	8,472	(1,698)	(5,106)	1,668	8.9
Order backlogs	8,660	(2,223)	(6,437)	-	7.2
Total	67,544	(25,102)	(28,148)	14,294	

Amortization expenses for intangible assets were RMB4,997, RMB8,589 and RMB3,392 for the years ended December 31, 2021, 2022 and 2023, respectively.

The estimated amortization expense for the next five years is as follows:

	RMB
2024	3,085
2025	2,456
2026	2,323
2027	1,995
2028	1,727
Then thereafter	2,708

11. GOODWILL

The change in the carrying amount of goodwill by reporting unit is as follows:

	Acquisition of				
	Guohebing	Kunlunjiexin	Zhuge Inc.	Molun SAAS	Total
	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2020	-	-	-	-	-
Additions	147,001	19,222	104,674	-	270,897
Impairment	(82,467)	(19,222)	(47,403)	-	(149,092)
Balance as of December 31, 2021	**64,534**	-	**57,271**	-	**121,805**
Additions	-	-	-	40,029	40,029
Impairment	(10,107)	-	(57,271)	(40,029)	(107,407)
Balance as of December 31, 2022	**54,427**	-	-	-	**54,427**
Additions	-	-	-	-	-
Impairment	-	-	-	-	-
Balance as of December 31, 2023	**54,427**	-	-	-	**54,427**

In the annual goodwill impairment assessment, the Company concluded that the carrying amounts of these reporting units exceeded their respective fair values and recorded impairment losses of RMB149.1 million, RMB107.4 million and nil during the years ended December 31, 2021, 2022 and 2023, respectively. The fair value of these reporting units was determined using the market value approach.

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31,	
	2022	2023
	RMB	RMB
Accrued payroll and social insurance	95,297	53,679
Taxes payable	21,742	29,666
Deposits of BNY MELLON	32,726	33,078
Deposits	303	406
Staff reimbursements	7,991	5,727
Accrued liabilities for class action	83,575	-
Other payables	1,090	1,984
Accrued expenses and other current liabilities	242,724	124,540

13. WARRANT LIABILITIES

The Company classified the warrants to purchase redeemable convertible preferred shares as warrant liabilities and adjusted the carrying value of the warrant liabilities to fair value at the end of each reporting period utilizing the binomial option pricing model, which involves significant assumptions including the risk-free interest rate, the expected volatility, expected dividend yield and expected term. The risk-free interest rate was based on the U.S. Treasury rate for the expected remaining life of preferred shares warrants. The expected volatility was estimated based on the historical volatility of comparable peer public companies with a time horizon close to the expected term of the Company's warrant liabilities. Expected dividend yield is zero as the Company does not anticipate any dividend payments in the foreseeable future. Expected term is the remaining life of the warrant liabilities.

Series C Warrant

In February 2016, Ronglian Yitong entered into a two-year credit facility with SPD to borrow up to RMB40 million. On September 23, 2016, in connection with the credit facility arrangement, the Company issued a warrant to China Equities HK Limited ("China Equities"), a related party of SPD, to purchase an aggregate of 661,376 shares of the Company's Series C Redeemable Convertible Preferred Shares at an exercise price of US$0.945 per share. The warrant is exercisable upon issuance and expires on September 23, 2023. At initial recognition, the Group recorded the warrant liabilities on the consolidated balance sheet at its estimated fair value and subsequently, at each reporting date, recorded changes in estimated fair value included in the change in fair value of warrant liabilities on the consolidated statement of comprehensive loss. The fair value of the warrant to purchase 661,376 Series C Redeemable Convertible Preferred Shares is US$384 (equivalent to RMB2,679) as of December 31, 2019 and US$1,479 (equivalent to RMB9,650) as of December 31, 2020.

On March 22, 2021, China Equities exercised the Series C warrants, which entitled China Equities to purchase an aggregate of 664,611 shares of the Company's Series C Redeemable Convertible Preferred Shares at an exercise price of US$0.9404 per share. China Equities paid the exercise price by surrendering 26,042 Series C Redeemable Convertible Preferred Shares that it would entitle to receive upon a cash exercise of the warrant. Accordingly, by virtue of the cashless exercise of the warrant, the Company issued 638,569 Class A Ordinary Shares to China Equities, with the conversion and redesignation of all series C Redeemable Convertible Preferred Shares into Class A Ordinary Shares on a one-for-one basis after the Company's consummation of IPO. The fair value of Series C warrant is US$5,958 (equivalent to RMB38,841) at the exercise date.

The fair value of the warrant liability to China Equities HK Limited for purchasing Series C Redeemable Convertible Preferred Shares as of December 31, 2020 and March 22, 2021 are estimated with the following assumptions used:

	December 31, 2020	March 22, 2021
Risk-free rate of return	0.23%	0.38%
Volatility	53%	54%
Expected dividend yield	0%	0%
Fair value of underlying Series C Redeemable Convertible Preferred Shares	3.12	9.91
Expected term	2.7 years	2.5 years

Series F Warrant

On November 13, 2020, the Company agreed to issue a warrant to Novo Investment HK Limited ("Novo Investment") with the exercise price of US$34,000. Novo Investment may, within six months commencing from the issuance date, subscribe for an aggregate of 11,799,685 Series F Redeemable Convertible Preferred Shares of the Company, par value of US$0.0001 per share, at the exercise price of US$2.8814 per share, subject to adjustment. On January 7, 2021, the Series F warrant was fully exercised with the exercise price of US$34,000 and the Company issued 11,799,685 Series F Redeemable Convertible Preferred Shares to Novo Investment. At initial recognition, the Group recorded the warrant liabilities on the consolidated balance sheet at its estimated fair value and subsequently, at each reporting date, recorded changes in estimated fair value included in the change in fair value of warrant liabilities on the consolidated statement of comprehensive loss.

The fair value of the warrant to purchase 11,799,685 Series F Redeemable Convertible Preferred Shares is US$3,262 (equivalent to RMB21,622) at the issuance date, US$5,809 (RMB37,903) and 5,809 (RMB37,531) as of December 31, 2020 and January 7, 2021 (the exercise date).

The fair value of the warrant liability issued to Novo Investment for purchasing Series F Redeemable Convertible Preferred Shares as of November 13, 2020, December 31, 2020 and January 7, 2021 are estimated with the following assumptions used:

	November 13, 2020	December 31, 2020 and January 7, 2021
Risk-free rate of return	0.22%	0.19%
Volatility	50%	50%
Expected dividend yield	0%	0%
Fair value of underlying Series F Redeemable Convertible Preferred Shares	2.62	3.12
Expected term	0.5 year	0.36 years

14. REDEEMABLE CONVERTIBLE PREFERRED SHARES

On July 30, 2014, the Company issued 18,642,038 Series A Redeemable Convertible Preferred Shares ("Series A Preferred Shares") at US$0.1475 per share with total consideration of US$2,750 (equivalent to RMB16,902).

On February 6, 2015, the Company issued 19,617,225 Series B Redeemable Convertible Preferred Shares ("Series B Preferred Shares") at US$0.52 per share with total consideration of US$10,200 (equivalent to RMB62,691).

On June 10, 2016, the Company issued 18,608,315 Series C Redeemable Convertible Preferred Shares ("Series C Preferred Shares") to investors at US$1.34 per share with total consideration of US$25,000 (equivalent to RMB165,466).

Also on June 10, 2016, Max Connect Limited ("Max Connect"), incorporated in the Cayman Islands, purchased 26,051,641 Series C Redeemable Convertible Preferred Shares at nominal consideration. On the same day, Beijing Hongshan Shengde Equity Investment Center (Limited Partnership) ("Hongshan Shengde"), registered in the People's Republic of China and is an affiliate of Max Connect, and Ronglian Yitong and its nominee shareholders entered into a capital increase agreement, pursuant to which, Hongshan Shengde invested into Ronglian Yitong with cash of RMB230,087 (equivalent to US$35,000).

On November 3, 2020, the Company, Max Connect and Hongshan Shengde agreed to change certain investment arrangements relating to Max Connect's investment in Series C Redeemable Convertible Preferred Shares and Hongshan Shengde's investment in Ronglian Yitong, pursuant to which, (1) Max Honest Ltd. ("Max Honest"), incorporated in the Cayman Islands and is an affiliate of Max Connect and Hongshan Shengde, would be designated as the new holder of 26,051,641 Series C Redeemable Convertible Preferred Shares which was previously held by Max Connect, and (2) the capital increase arrangement with Ronglian Yitong would be terminated.

On the same day, the holder of Series C Redeemable Convertible Preferred Shares was re-designated: Max Connect surrendered 26,051,641 Series C Redeemable Convertible Preferred Shares for nominal consideration, and the Company approved the issue of 26,051,641 Series C Redeemable Convertible Preferred Shares to Max Honest for a consideration of US$35,000, which would be paid via a promissory note. To facilitate the repayment of the promissory note issued by Max Honest, the Company intends for Ronglian Yitong to pay to Hongshan Shengde the cash consideration that Max Honest have promised for its Series C Redeemable Convertible Preferred Shares and Max Honest will return such cash consideration to the Company. The net impact of those transactions will be to transfer a certain amount of cash from the Company's subsidiary to the Company, with no net impact on cash.

On November 3, 2020, the subscription receivable of US$35,000 from Max Honest was recorded as a reduction of mezzanine equity, and the payable by Ronglian Yitong to Hongshan Shengde with an amount of RMB230,087 was recorded in liabilities.

On March 19, 2018, the Company issued 12,462,157 Series D Redeemable Convertible Preferred Shares ("Series D Preferred Shares") at US$2.05 per share with total consideration of US$25,600 (equivalent to RMB160,975).

On August 28, 2019, the Company issued 13,040,152 Series E Redeemable Convertible Preferred Shares ("Series E Preferred Shares") at US$2.45 per share with total consideration of US$32,000 (equivalent to RMB226,646). The issuance costs were US$1,766 (equivalent to RMB12,427).

On March 25, 2020 and July 15, 2020, the Company issued 3,706,745 and 3,501,087 ordinary shares, in connection with the purchase of non-controlling interests of the Group's subsidiaries. Pursuant to the anti-dilution provision in the Series E financing arrangement, the Company issued 263,843 and 406,605 additional Series E Preferred shares at par value to existing Series E Preferred Shareholders on March 25, 2020 and July 15, 2020, respectively. The newly issued preferred shares were deemed as dividends to the existing Series E Preferred Shares.

On November 13, 2020, the Company issued 31,581,509 Series F Redeemable Convertible Preferred Shares ("Series F Preferred Shares") at US$2.88 per share with total consideration of US$91,000 (equivalent to RMB598,662). The issuance costs were US$1,807 (equivalent to RMB11,830).

In February 2021, the Company completed its IPO on the New York stock exchange and issued 23,000 ADSs for a net proceed of US$342 million (equivalent to RMB2.2 billion) at an issuance price of US$16 per ADS. Each ADS represents two ordinary shares. The issued and outstanding 158,900,014 redeemable convertible preferred shares were converted to Class A ordinary shares on a one-for-one-basis at the same time in the amount of US$1.27 billion (equivalent to RMB8.20 billion), which includes accretion from January 1, 2021 to February 9, 2021, the date of the Company's initial public offering. The issued and outstanding 95,140,749 pre-offering ordinary shares were converted to Class A ordinary shares on a one-for-one-basis at the same time, and the remaining 25,649,839 pre-offering ordinary shares were converted to Class B ordinary shares.

The Company's redeemable convertible preferred shares activities consist of the following:

RMB	Series A	Series B	Series C	Series D	Series E	Series F	Total
Carrying amount as of January 1, 2021	**380,664**	**404,394**	**713,141**	**268,573**	**331,157**	**691,472**	**2,789,401**
Issuance of Series F Preferred Shares	-	-	-	-	-	257,198	257,198
Accretion of Redeemable Convertible Preferred Shares	588,758	615,764	1,379,371	379,571	610,099	1,305,090	4,878,653
Foreign currency translation adjustment	(7,001)	(7,391)	213,120	(4,768)	98,368	(14,146)	278,182
Balance as of February 9, 2021	962,421	1,012,767	2,305,632	643,376	1,039,624	2,239,614	8,203,434
Conversion to Class A Ordinary Shares	(962,421)	(1,012,767)	(2,305,632)	(643,376)	(1,039,624)	(2,239,614)	(8,203,434)
Balance as of December 31, 2021	-	-	-	-	-	-	-

The rights, preferences and privileges of the Redeemable Convertible Preferred Shares are as follows:

Redemption Rights

Prior to the issuance of Series C Preferred Shares in June 2016, Series A and B Preferred Shares shall be redeemable at the option of holders of the Series A and B Preferred Shares, at any time after the earliest of (i) the fifth (5th) anniversary of the Series A Preferred Shares issue date, if a Qualified Initial Public Offering ("Qualified IPO"), has not been consummated by then, (ii) the time when any material adverse change in the regulatory environment occurs, under which circumstance the captive structure of the Group becomes, has become, or is threaten to become invalid, illegal or unenforceable, or (iii) the date that there is a material breach by the Company or by any direct or indirect owners of the ordinary shares of any of their respective representations, warranties, or undertakings under the transaction documents.

Upon the issuance of Series C Preferred Shares in June 2016, the redemption term of Series A and Series B Preferred Shares were modified to be the same as Series C Preferred Shares, in which they were redeemable at the option of holders of these preferred shares: at any time after the fourth (4th) anniversary of the issuance date of Series C Preferred Shares, if the Company has not consummated a Qualified IPO by then, which extends the redemption start date of Series A and B Preferred Shares was extended from July 30, 2019 to June 9, 2020 to be in line with the optional redemption date of Series C Preferred Shares.

Upon the issuance of Series D Preferred Shares in February 2018, the redemption term of Series A, B and C Preferred Shares were modified to be the same as Series D Preferred Shares, in which they were redeemable at the option of holders of these preferred shares: at any time after the third (3rd) anniversary of the issuance date of Series D Preferred Shares, if the Company has not consummated a Qualified IPO by then, which extends the redemption start date of Series A, B and C Preferred Shares was extended from June 9, 2020 to March 18, 2021 to be in line with the optional redemption date of Series D Preferred Shares.

Upon the issuance of Series E Preferred Shares in August 2019, the redemption term of Series A, B, C and D Preferred Shares were modified to be the same as Series E Preferred Shares, in which they were redeemable at the option of holders of these preferred shares: at any time after the third anniversary of the issuance date of Series E Preferred Shares, if the Company has not consummated a Qualified IPO by then, which extends the redemption start date of Series A, B,C and D Preferred Shares was extended from March 18, 2021 to August 27, 2022 to be in line with the optional redemption date of Series E Preferred Shares. The redemption term of Series F Preferred Shares remained the same as Series E Preferred Shares.

The redemption price equals to the greater of (1) 100% of the Preferred Shares issue price with an 8% compound per annum, plus any declared but unpaid dividends on such Preferred Shares, and (2) the fair market value of the relevant Preferred Shares. The fair value of the relevant Preferred Shares was determined by management with the assistance from a valuation firm using management's estimates and assumptions.

The Company recognized changes in the redemption value immediately as they occur and adjust the carrying value of the Redeemable Convertible Preferred Shares to equal the redemption value at the end of each reporting period, as if it were also the redemption date for the Redeemable Convertible Preferred Shares.

The Company determines whether an amendment or modification to the terms of Series A, B, C and D Preferred Shares represents an extinguishment based on a fair value approach. If the fair value of the preferred shares immediately before and after the amendment is significantly different (by more than 10%), the amendment or modification represents an extinguishment. The Company has determined that the amendment to the terms of Series A, B, C and D Preferred Shares did not represent an extinguishment, and therefore modification accounting was applied by analogy to the modification guidance contained in ASC 718 20, Compensation—Stock Compensation. The Company accounts for modifications that result in an increase to the fair value of the modified preferred shares as a deemed dividend reconciling net loss to net loss attributable to ordinary shareholders as there is a transfer of value from the ordinary shareholders to the preferred shareholders. Modifications that result in a decrease in the fair value of the modified preferred shares were not recognized. Upon the issuance of Series E Preferred Shares in August 2019, the increase in fair value of Series C Preferred Shares and Series D Preferred Shares at the modification date resulting from extension of optional redemption date were US$974 (equivalent to RMB6,716) and US$806 (equivalent to RMB5,562), respectively. The inputs for appraising the fair value of the modified preferred shares are the redemption term, volatility, dividend rate and risk-free interest rate.

Conversion Rights

Each preferred share shall be convertible, at the option of the holder, at any time after the date of issuance of such preferred shares according to a conversion ratio, subject to adjustments for dilution, including but not limited to share splits, share combination, share dividends and distribution and certain other events.

Each preferred share shall automatically be converted into ordinary shares, at the applicable then-effective conversion price upon the earlier of (a) the closing of a Qualified IPO, or (b) the date specified by written consent or agreement of the holders of a majority of each round of Preferred Shares with respect to each round of Preferred Shares.

Voting Rights

Each preferred share shall be entitled to that number of votes corresponding to the number of ordinary shares on an as converted basis. Preferred shares shall vote separately as a class with respect to certain specified matters. Otherwise, the holders of preferred shares and ordinary shares shall vote together as a single class.

Dividend Rights

Preferred shares holders are entitled to receive dividends at the rate of 8% of the applicable preferred shares issue price, payable out of funds or assets legally available. Such dividends shall be payable only if declared by the Board of Directors and shall be non-cumulative.

The Company is not obliged to declare, pay, set aside or make such dividends to preferred shares holders except for (i) a distribution made in liquidation; (ii) applicable exempted distribution, including (a) the purchase, repurchase or redemption of ordinary shares by the Company from terminated employees, officers or consultants in accordance with the ESOP or the share restriction agreement, or pursuant to the exercise of a contractual right of first refusal held by the Company, if any, or pursuant to written contractual arrangements with the Company approved by the Board, and (b) the purchase, repurchase or redemption of the Preferred Shares;(iii) all declared but unpaid dividends on the preferred shares have been paid in full, and (iv) a dividend or distribution is likewise declared, paid, set aside or made, respectively, at the same time with respect to each issued and outstanding preferred share such that the dividend or distribution declared, paid, set aside or made to the holder shall be equal to the dividend or distribution that such holder would have received if such preferred share had been converted into ordinary Shares immediately prior to the record date for such dividend or distribution, or if no such record date is established, the date such dividend or distribution is made, and if such share then participated in and the holder received such dividend or distribution.

Liquidation Preferences

In the event of any liquidation including deemed liquidation, dissolution or winding up of the Company, holders of the preferred shares shall be entitled to receive a per share amount equal to 100% of the original preferred shares issue price with an 8% compound per annum, plus any declared but unpaid dividends on such preferred shares, in the sequence of Series F Preferred Shares, Series E Preferred Shares, Series D Preferred Shares, Series C Preferred Shares, Series B Preferred Shares and Series A Preferred Shares. After such liquidation amounts have been paid in full, any remaining funds or assets of the Company legally available for distribution to shareholders shall be ratably distributed among the holders of the Preferred Shares, on an as-converted basis, together with the holders of the ordinary shares.

The Company classified all series of Redeemable Convertible Preferred Shares as mezzanine equity in the consolidated balance sheets since they are contingently redeemable at the option of the holders after a specified time period.

The Company evaluated the embedded conversion option in all series preferred shares to determine if the embedded conversion option require bifurcation and accounting for as a derivative. The Company concluded the embedded conversion option did not need to be bifurcated pursuant to ASC 815 *Derivatives and Hedging*. The Company also determined that there was no beneficial conversion feature attributable to all series preferred shares because the initial effective conversion prices of these all series preferred share were higher than the fair value of the Company's ordinary shares at the relevant commitment dates. The fair value of the Company's ordinary shares on the commitment date was estimated by management, which involves significant assumptions that might not be observable in the market, and a number of complex and subjective variables, including discount rate, risk-free interest rate and subjective judgments regarding the Company's projected financial and operating results, its unique business risks, the liquidity of its ordinary shares and its operating history and prospects at the time the grants are made. Except for the warrant liability with proceeds allocated from the issuance of the debt instrument, the Company also determined there was no other embedded features to be separated from all series preferred shares.

15. SHARE-BASED COMPENSATION

Restricted ordinary shares

On August 28, 2019, 8,154,893 ordinary shares held by Cloopen Co., Ltd., which is wholly owned by Mr. Sun Changxun, became restricted with a graded vesting as to 1/3 of the restricted ordinary shares vest on the first anniversary of August 28, 2019 and with the remaining 2/3 of the restricted ordinary shares vesting evenly over the next two years. Such restricted shares are also subject to immediate vesting upon the Company's completion of a qualified IPO. The fair value of the shares of US$9,827 are amortized to consolidated statements of comprehensive loss over the vesting term of three years.

In January 2021, the Company adopted a second share option Plan ("2021 Share Plan"), under which the maximum aggregate number of Class A ordinary shares that may be issued pursuant to all awards under such plan is 15,144,221. The ordinary shares became restricted with a vesting schedule of four years. Under the 2021 Share Plan, 5,898,500 ordinary shares were granted to employees for the year 2021.

In March 2021, the Company offered certain management members of EliteCRM 2,411,177 ordinary shares, which become restricted with a graded vesting as to 1/2 of the restricted ordinary shares vest on the first anniversary of March 22, 2022 and with the remaining 1/2 of the restricted ordinary shares vesting on March 22, 2023. The fair value of the shares of US$23,883 are amortized to consolidated statements of comprehensive loss over the vesting term of two years.

A summary of the Company's restricted ordinary shares held by the Company's employees for the years ended December 31, 2022 and 2023 is presented below:

	Number of shares	Weighted average grant date fair value
Unvested as of January 1, 2022	**8,014,677**	**4.71**
Granted	3,822,089	0.66
Vested	(1,755,548)	7.45
Forfeited	(5,104,733)	2.21
Unvested as of December 31, 2022	**4,976,485**	**3.20**
Granted	860,000	0.29
Vested	(2,001,838)	1.07
Forfeited	(1,031,670)	1.04
Unvested as of December 31, 2023	**2,802,977**	**4.62**

Total compensation expenses recognized for restricted ordinary shares for the years ended December 31, 2021, 2022 and 2023 were allocated to the following expense items:

	Year ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Research and development expenses	8,618	(5,158)	654
General and administrative expenses	112,218	59,133	10,868
Selling and marketing expenses	4,191	1,275	1,851
Total restricted ordinary shares compensation expenses	**125,027**	**55,250**	**13,373**

In addition to the restricted ordinary shares held by the Company's employees, 1,700,000 ordinary shares were held by a non-employee founder, which were restricted and have been vested immediately upon the completion of the Company's initial public offering on February 9, 2021. The fair value of 1,700,000 restricted ordinary shares on grant date is US$111.

As of December 31, 2023, total unrecognized compensation expense related to restricted ordinary shares were RMB6,212 until 2026. The restricted ordinary shares are expected to be recognized over a weighted average period of approximately 2.41 years.

Shares Options

In January 2017, the Company's shareholders and board of directors approved a share option Plan ("2016 Share Plan"), under which a maximum aggregate number of 21,119,408 ordinary shares may be issued pursuant to all awards to be granted. In September 2018, the Company's shareholders and board of directors approved that the maximum aggregate number of ordinary shares may be issued under 2016 Share Plan shall be modified to 25,838,502 pre-offering Class A Ordinary Shares. In March 2020 and July 2020, the Company's shareholders and board of directors approved that the maximum aggregate number of ordinary shares may be issued under 2016 Share Plan shall be modified to 26,419,211 and 29,525,465 pre-offering Class A Ordinary Shares, respectively.

In addition, the options may be exercised with respect to 25% to 50% of the shares subject to the options as of the first anniversary of the vesting commencement date with the remaining shares subject to the options shall become vested in equal monthly instalments over a period of 12-36 months thereafter. Share options were granted with exercise prices ranging from US$0.01 to US$0.38 and will expire 10 years from the grant dates.

Under the 2016 Share Plan, no share options w granted to employees, officers, and board members for the years ended December 31, 2022 and 2023, respectively. A summary of the share options activities for the years ended December 31, 2022 and 2023 is presented below:

	Number of shares	Weighted average exercise price	Weighted remaining contractual years	Aggregate intrinsic value
		US$		US$
Outstanding as of January 1, 2022	**22,069,770**	**0.25**		
Forfeited	(755,960)	0.34		
Exercised	(3,718,773)	0.25		
Outstanding as of December 31, 2022	**17,595,037**	**0.24**		
Forfeited	(721,728)	0.15		
Exercised	(3,731,723)	0.17		3,881
Outstanding as of December 31, 2023	**13,141,586**	**0.26**		
Vested and expected to vest as of December 31, 2023	**13,141,586**	**0.26**	**3.91**	**26,256**
Exercisable as of December 31, 2023	**12,255,508**	**0.23**	**2.60**	**25,994**

The fair values of the options granted are estimated on the dates of grant using the binomial option pricing model with the following assumptions used:

Grant dates:	**2021**
Risk free rate of return	1.06%-1.57%
Volatility	48.76%-49.21%
Expected dividend yield	0%
Exercise multiple	2.20
Fair value of underlying ordinary share	US$1.45- US$16.70
Expiration terms	10 years

The expected volatility was estimated based on the historical volatility of comparable peer public companies with a time horizon close to the expected term of the Company's options. The risk-free interest rate was estimated based on the yield to maturity of U.S. treasury bonds denominated in US$ for a term consistent with the expected term of the Company's options in effect at the option valuation date. Expected dividend yield is zero as the Company does not anticipate any dividend payments in the foreseeable future. The expected exercise multiple was estimated as the average ratio of the stock price to the exercise price of when employees would decide to voluntarily exercise their vested options. As the Company did not have sufficient information of past employee exercise history, it has considered the statistics on exercise patterns of employees compiled by Huddart and Lang in Huddart, S., and M. Lang. 1996. "Employee Stock Option Exercises: An Empirical Analysis." *Journal of Accounting and Economics*, vol. 21, no. 1 (February), pages 5-43, which are widely adopted by valuers as authoritative guidance on expected exercise multiples. Expected term is the contract life of the option.

The weighted average grant date fair value of the share options granted during the year ended December 31 2021 was US$6.19, respectively. Compensation expense recognized for share options during the years ended December 31,2021, 2022 and 2023 is allocated to the following expense items:

	Year ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Cost of revenues	507	(621)	3
Research and development expenses	9,946	(795)	1,006
Selling and marketing expenses	16,960	(765)	6,068
General and administrative expenses	109,530	54,393	1,788
Total share option compensation expenses	**136,943**	**52,212**	**8,865**

As of December 31, 2023, RMB1,813 of total unrecognized compensation expense related to share options that are expected to be recognized until 2026. The share options are expected to be recognized over a weighted average period of approximately 1.12 years.

16. FAIR VALUE MEASUREMENT

The following tables present the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2021, 2022 and 2023 respectively:

	December 31, 2021			
RMB	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets				
Short-term investments	-	-	127,514	127,514

	December 31, 2022			
RMB	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets				
Short-term investments	-	-	412,031	412,031

	December 31, 2023			
RMB	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets				
Short-term investments	-	-	422,559	422,559

The table below reflects the reconciliation from the opening balances to the closing balances for recurring fair value measurements of the fair value hierarchy for the years ended December 31, 2021, 2022 and 2023:

				Year ended December 31, 2021			
				Gain or Losses			
RMB	January 1, 2021	Purchase/ Issue	Sell / Exercise	Included in earnings	Included in other comprehensive loss	Foreign currency translation adjustment included in other comprehensive loss	December 31, 2021
Assets							
Short-term investments	-	127,727	-	-	-	(213)	127,514
Liabilities							
Warrants Liabilities, current portion (Note 13)	37,903	-	37,531	-	-	(372)	-
Non-current warrants Liabilities (Note 13)	9,650	-	38,841	29,011	-	180	-

				Year ended December 31, 2022			
				Gain or Losses			
RMB	January 1, 2022	Purchase/ Issue	Sell / Exercise	Included in earnings	Included in other comprehensive loss	Foreign currency translation adjustment included in other comprehensive loss	December 31, 2022
Assets							
Short term investments	127,514	357,142	70,306	-	-	(2,320)	412,031

				Year ended December 31, 2023			
				Gain or Losses			
RMB	January 1, 2023	Purchase/ Issue	Sell / Exercise	Included in earnings	Included in other comprehensive loss	Foreign currency translation adjustment included in other comprehensive loss	December 31, 2023
Assets							
Short term investments	412,031	28,187	24,663	563	-	6,441	422,559

17. INCOME TAX

a) Income tax

The Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

No stamp duty is payable in respect of the issue of the shares or on an instrument of transfer in respect of a share.

Hong Kong S.A.R.

Under the current Hong Kong S.A.R. Inland Revenue Ordinance, the Company's Hong Kong S.A.R. subsidiary is subject to Hong Kong S.A.R. profits tax at the rate of 16.5% on its taxable income generated from the operations in Hong Kong S.A.R. Payments of dividends by the Hong Kong S.A.R. subsidiary to the Company is not subject to withholding tax in Hong Kong S.A.R. A two-tiered profits tax rates regime was introduced in 2018 where the first HK$2 million of assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) whilst the remaining profits will continue to be taxed at 16.5%. There is an anti-fragmentation measure where each group will have to nominate only one company in the group to benefit from the progressive rates. No provision for Hong Kong profits tax has been made in the financial statements as the subsidiary in Hong Kong has no assessable profits for the years ended December 31, 2021, 2022 and 2023.

Japan

The Company's Japan subsidiary, Cloopen Japan Co., Ltd., is subject to Japanese corporation tax (including national corporation tax, local enterprise tax and other income-based taxes) on its worldwide income. The statutory effective tax rate is approximately 30% to 34%, depending on the size of the company.

Dividends paid by a Japanese company are generally subject to Japanese withholding tax. If the Japanese company paying dividends is a non-listed company and the payee is a non-resident of Japan, the rate of such withholding tax is 20.42% under Japanese Tax law. The Company enjoys preferential withholding tax rate of 10% under Japan-China tax treaty.

The PRC

The Group's PRC subsidiaries, the VIE, and the VIE's subsidiaries are subject to the PRC Corporate Income Tax Law ("CIT Law") and are taxed at the statutory income tax rate of 25%, unless otherwise specified.

In March 2007, a new enterprise income tax law (the "New EIT Law") in the PRC was enacted which became effective on January 1, 2008. The New EIT Law applies a unified 25% enterprise income tax ("EIT") rate to both foreign invested enterprises and domestic enterprises, unless a preferential EIT rate is otherwise stipulated. On April 14, 2008, relevant governmental regulatory authorities released further qualification criteria, application procedures and assessment processes for meeting the High and New Technology Enterprise ("HNTE") status under the New EIT Law which would entitle qualified and approved entities to a favorable EIT tax rate of 15%. In April 2009 and June 2017, the State Administration for Taxation ("SAT") issued Circular Guoshuihan (2009) No. 203 ("Circular 203") and SAT Announcement (2017) No. 24 ("Announcement 24") stipulating that the entities which qualified for the HNTE status should apply with in-charge tax authorities to enjoy the reduced EIT rate of 15% provided under the New EIT Law starting from the year when the new HNTE certificate becomes effective. The HNTE certificate is effective for a period of three years and can be renewed for another three years. Subsequently, an entity needs to re-apply for the HNTE status in order to be able to enjoy the preferential tax rate of 15%.

Ronglian 7Moor obtained the HNTE certificate in December 2016, and subsequently renewed the HNTE certificate in October 2019 and November 2022. Thus, Ronglian 7Moor is entitled to a preferential tax rate of 15% from 2016 to 2024.

Beijing Baiyi High-Tech Information Technology Co., Ltd., a subsidiary of the Company, obtained the HNTE certificate in October 2017, which expired in October 2020. In October 2020, Baiyi renewed its HNTE status which entitles it to the preferential income tax rate of 15% from 2020 to 2022. Due to business scope change, Baiyi has no plan to renew the HNTE certificates and could not entitle to the preferential tax rate of 15% after the HNTE certificate became void from January 1, 2023.

Beijing Yunrong Tianxia Technology Co., Ltd., a subsidiary of the Company, obtained the HNTE certificates in December 2017 and subsequently renewed the HNTE Certificate in October 2020 and October 2023. Thus, it was entitled to the preferential tax rate of 15% from 2017 to 2025.

Ronglian Yitong, a subsidiary of the Company, obtained the HNTE certificate in September 2015 and subsequently renewed the HNTE certificate in September 2018 and December 2021. Thus, it was entitled to the preferential tax rate of 15% from 2015 to 2023.

Beijing Ronglian Huitong Technology Co., Ltd. and Shenzhen Zhongtian Wangjing Technology Co., Ltd., subsidiaries of the Company, obtained the HNTE certificates in December 2019. Thus, they are entitled to the preferential tax rate of 15% from 2019 to 2021. In December 2021, Beijing Ronglian Huitong Technology Co., Ltd., renewed its HNTE status which entitled it to the preferential income tax rate of 15% in 2022. In August 2023, Beijing Ronglian Huitong Technology Co., Ltd., renewed its HNTE status which entitled it to the preferential income tax rate of 15% from 2023 to 2024. In December 2022, Shenzhen Zhongtian Wangjing Technology Co., Ltd., renewed its HNTE status which entitled it to the preferential income tax rate of 15% from 2022 to 2024.

Zhuge Yunyou, a subsidiary of the Company, obtained the HNTE certificate in October 2021. Thus, it was entitled to the preferential tax rate of 15% from 2021 to 2023.

If any entities fail to maintain the HNTE qualification under the New EIT Law, they will no longer qualify for the preferential tax rate of 15%.

The CIT Law also provides that an enterprise established under the laws of a foreign country or region but whose “de facto management body” is located in the PRC be treated as a resident enterprise for the PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the CIT Law define the location of the “de facto management body” as “the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, property, etc., of a non-PRC company is located.” Based on a review of surrounding facts and circumstances, the Group does not believe that it is likely that its operations outside the PRC should be considered a resident enterprise for PRC tax purposes.

The components of loss before income taxes are as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
The Cayman Islands*	(453,788)	(345,945)	(69,414)
Hong Kong S.A.R*	19,023	(34,946)	3,397
Japan*	(3,159)	(27,883)	(19,507)
The PRC, excluding Hong Kong S.A.R.	(455,408)	(567,467)	(327,414)
Total	**(893,332)**	**(976,241)**	**(412,938)**

*Non-PRC entities not subject to income tax

Withholding tax on undistributed dividends

The CIT law also imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise ("FIE") to its immediate holding company outside of Mainland China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within Mainland China or if the received dividends have no connection with the establishment or place of such immediate holding company within Mainland China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. The Cayman Islands, where the Company is incorporated, does not have such tax treaty with the PRC. According to the arrangement between Mainland China and Hong Kong S.A.R. on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in Mainland China to its immediate holding company in Hong Kong S.A.R. will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). The Group did not record any dividend withholding tax, as the Group's PRC entities, have no retained earnings in any of the years presented.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on interest income from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group applies a preferential withholding tax rate of 7% due to a tax treaty between Mainland China and the jurisdiction of the foreign investors.

Income tax expense recognized in the consolidated statements of comprehensive loss consists of the following:

	Year ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Current income tax expense	5,998	8,464	(135)
Deferred income tax benefit (expense)	5,122	(8,806)	(429)
Total income tax expense	**11,120**	**(342)**	**(564)**

Reconciliation of the differences between the income tax benefit computed based on the PRC statutory income tax rate and the Group's income tax expense for the years ended December 31, 2021, 2022 and 2023 are as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Computed expected income tax benefit	**(223,333)**	**(244,060)**	**(103,234)**
Non-deductible expenses / taxable deemed income			
Share-based compensation	66,705	26,865	5,560
Non-deductible entertainment	940	1,240	1,264
Uninvoiced expenditures	-	-	-
Taxable deemed interest income from inter-company interest-free loans	6,659	2,659	1,828
Non-deductible IPO fees	824	-	-
Employee commercial Insurance	372	291	208
Effect of withholding tax at 7% on the interest income of a PRC subsidiary	1,144	2,121	-
Selling Commission	2,072	1,003	1,057
Others	63	109	167
Non-PRC entities not subject to income tax	47,479	66,530	16,571
Effect of income tax rate differences in jurisdictions other than the PRC	(2,334)	2,964	(282)
Over provision in respect of prior years	4,883	203	36
NOL expired	8,635	38,871	34,921
Amortization of intangible assets formed by business combinations	(536)	(8,806)	(429)
Others	813	1,701	(2,759)
Changes in valuation allowance	96,734	107,967	44,528
Actual income tax expense	**11,120**	**(342)**	**(564)**

b) Deferred income tax assets

	December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Net operating loss carry forwards	280,865	349,681	388,065
Un-invoiced expenditures	9,867	9,867	9,867
Accounts receivable and contract assets allowance	16,486	22,172	26,561
Other equity investments impairment	11,412	12,777	10,278
Goodwill impairment	38,690	55,534	55,534
Share of losses of equity method investments	149	641	980
Others	1	2,050	3,199
Less: Valuation allowance	(335,339)	(443,306)	(487,834)
Total deferred income tax assets, net	**22,131**	**9,416**	**6,650**
Intangible assets	(8,883)	(1,285)	(857)
Equity method investment on the gain from the disposal of a subsidiary	(2,766)	(2,766)	-
Change in fair value of other equity investments	(19,365)	(6,650)	(6,650)
Total gross deferred income tax liabilities	**(31,014)**	**(10,701)**	**(7,507)**
Net deferred income tax assets	**(8,883)**	**(1,285)**	**(857)**

As of December 31, 2023, the Group had net operating loss carry forwards of approximately RMB2,067 million attributable to the PRC and Hong Kong S.A.R. subsidiaries, the VIE, and the VIE's subsidiaries. The loss carried forward by the PRC companies will expire during the period from year 2024 to year 2033. As of December 31, 2023, the Group had tax loss carry forwards for PRC and Hong Kong S.A.R. income tax purpose of RMB 2,067,227 which will expire if unused by the following year-end:

Year ending December 31,	**RMB**
2024	48,074
2025	49,360
2026	237,091
2027	333,338
2028	215,567
Then thereafter	1,183,797
Total	**2,067,227**

A valuation allowance is provided against deferred income tax assets when the Group determines that it is more likely than not that the deferred income tax assets will not be utilized in the foreseeable future. In making such determination, the Group evaluates a variety of factors including the Group's operating history, accumulated deficit, existence of taxable temporary differences and reversal periods.

As of December 31, 2023, the valuation allowance of RMB 487,834 was related to the deferred income tax assets of the PRC and Hong Kong S.A.R. entities which were in loss position. As of December 31, 2023, management believes it is more likely than not that the Group will realize the deferred income tax assets, net of the valuation allowance.

Changes in valuation allowance are as follows:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB	**RMB**	**RMB**
Balance at the beginning of the year	(239,007)	(335,339)	(443,306)
Additions	(96,734)	(107,967)	(44,528)
Decrease upon disposal of a subsidiary	402	-	-
Balance at the end of the year	**(335,339)**	**(443,306)**	**(487,834)**

According to the PRC Tax Administration and Collection Law, the statute of limitation is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitation is extended to five years under special circumstances where the underpayment of taxes is more than RMB100. In the case of transfer pricing issues, the statute of limitation is 10 years. There is no statute of limitation in the case of tax evasion. The income tax returns of the Company's PRC subsidiary, the VIE and the VIE's subsidiaries for the years from 2018 to 2023 are open to examination by the PRC tax authorities.

18. NET LOSS PER SHARE

The following table sets forth the basic and diluted net loss per ordinary share computation and provides a reconciliation of the numerator and denominator for the years presented:

	Year ended December 31,	
	2022	2023
	RMB	RMB
Numerator:		
Net loss	(974,898)	(409,722)
Numerator for basic and diluted net loss per ordinary share calculation	**(974,898)**	**(409,722)**
Denominator:		
Weighted average number of Class A and Class B ordinary shares	321,885,046	321,945,825
Denominator for basic and diluted net loss per ordinary share calculation	**321,885,046**	**321,945,825**
Net loss per ordinary share attributable to pre-offering Class A and pre-offering Class B ordinary shareholders		
—Basic and diluted	(3.03)	(1.27)

Securities that could potentially dilute basic net loss per ordinary share in the future that were not included in the computation of diluted net loss per ordinary share because to do so would have been antidilutive for the years ended December 31, 2022 and 2023 are as follow:

	Year ended December 31,	
	2022	2023
Share options	17,595,037	13,141,586
Restricted ordinary shares	4,976,485	2,802,977

19. REVENUE INFORMATION

Revenues

The Group's revenues are disaggregated by major products/services lines, timing of revenue recognition and primary geographical markets (based on the location of customers) as follow:

Major products/services lines	**Year ended December 31,**		
	2021	**2022**	**2023**
	RMB	**RMB**	**RMB**
CPaaS			
- Text messaging	235,842	119,416	136,654
- Voice calls	56,892	25,953	25,958
- Others (Note2)	56,136	46,796	32,799
Cloud-based CC	276,126	310,765	256,961
Cloud-based UC&C	125,358	89,350	117,554
Other services	2,334	1,354	1,098
Revenues	**752,688**	**593,634**	**571,024**

Note 1: The gross amount of revenue from services as an agent was RMB166 million, RMB89 million and RMB69 million for the years ended December 31, 2021, 2022 and 2023. The net amount of revenue from services as an agent was RMB41 million, RMB14 million and RMB16 million for the years ended December 31, 2021, 2022 and 2023 respectively.

Note 2: Others mainly include CPaaS revenue from the customers' use of the Group's Internet of Things (IoT) and jointly-operated CPaaS platforms.

Timing of revenue recognition	**Year ended December 31,**		
	2021	**2022**	**2023**
	RMB	**RMB**	**RMB**
Point in time	476,019	381,163	331,220
Over time	276,669	212,471	239,804
Revenues	**752,688**	**593,634**	**571,024**

Primary geographical markets (based on the location of customers)	**Year ended December 31,**		
	2021	**2022**	**2023**
	RMB	**RMB**	**RMB**
The PRC	711,932	556,663	539,867
Japan	40,756	36,971	31,157
Revenues	**752,688**	**593,634**	**571,024**

Revenue based on a gross basis/ net basis	**Year ended December 31,**		
	2021	**2022**	**2023**
	RMB	**RMB**	**RMB**
On a gross basis	689,667	579,629	555,409
On a net basis	63,021	14,005	15,615
Revenues	**752,688**	**593,634**	**571,024**

Contract Assets and Contract Liabilities

The Group's contract assets and contract liabilities as of December 31, 2021, 2022 and 2023 are as follows:

	December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Contract assets	21,118	50,838	26,107
Contract liabilities	285,936	359,801	363,228

The contract assets primarily relate to the Group's rights to consideration for work performed but not invoiced at the reporting date on Cloud-based UC&C projects and Cloud-based CC projects. The contract assets are transferred to receivables when the rights to consideration become unconditional.

The contract liabilities primarily related to the advanced consideration received from customers in relation to the subsequent provision of Cloud-based CC services and CPaaS solutions. The contract liabilities will be recognized as revenue when the Group fulfils its performance obligations to transfer the promised products or services to customers, which is expected to occur within one year.

Changes in the contract assets balances for the years ended December 31, 2021, 2022 and 2023 are as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Gross amount at the beginning of the year	25,075	31,722	63,144
Increases due to revenue recognized during the year	51,712	50,825	27,787
Transfers to accounts receivable during the year	(45,065)	(19,403)	(54,462)
Gross amount at the end of the year	**31,722**	**63,144**	36,469
Allowance for contract assets	(10,604)	-	-
Allowance for credit loss of contract assets	-	(12,306)	(10,362)
Contract assets, net	**21,118**	**50,838**	**26,107**

The movement of the allowance for contract assets is as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Balance at the beginning of the year	6,733	10,604	12,306
Additions charged to bad debt expense	3,871	-	-
Additions charged to credit loss	-	1,702	(1,944)
Balance at the end of the year	**10,604**	**12,306**	**10,362**

Changes in the contract liabilities balances for the years ended December 31, 2021, 2022 and 2023 are as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Balance at the beginning of the year	177,376	285,936	359,801
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	(74,907)	(96,082)	(92,339)
Increase due to cash received, excluding amount recognized as revenue during the year	183,467	169,947	95,766
Balance at the end of the year	**285,936**	**359,801**	**363,228**

The amounts of revenue recognized for the years ended December 31, 2021, 2022 and 2023 that were included in the contract liabilities balances at the beginning of the year are RMB74,907, RMB96,082 and RMB92,339, respectively.

The Company has elected the practical expedient in ASC 606-10-50-14(a) to not disclose the information about remaining performance obligations which are part of contracts that have an original expected duration of one year or less.

20. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

From time to time, the Group is involved in claims and legal proceedings that arise in the ordinary course of business. The Group records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Based on currently available information, the Group has recorded accrued liabilities for class action of US$12,000 (equivalent to RMB83,575) in this regard as of December 31, 2022. Subsequent legal proceedings see "Note 22 Subsequent events – U.S Class Action".

Purchase Commitment

The Group's purchase commitments primarily relate to purchase of software and equipment. Total purchase commitments contracted but not yet reflected in the consolidated financial statements as of December 31, 2023 were as follows:

Year ended December 31,	**RMB**
2024	5,703
2025 and thereafter	856

21. RELATED PARTY TRANSACTIONS

(i) Related Parties

Name of Related Parties	Relationship with the Company
Beijing Puhui Sizhong Technology Limited Company	A company controlled by Mr. Changxun Sun
Changxun Sun, Zhiqiang Xu, Muchao Deng	Three management employees
Beijing Jingu Shitong Technology Co., Ltd	One of the Company's investment affiliates and the Company owns 55.38% equity interest and has significant influence
Hi Sun Technology (China) Limited	A company that controls Main Access Limited, an entity that is a shareholder of the Company
Shanghai Keshen Information Technology Co., Ltd.	One of the Company's investment affiliates and the Company owns 20% equity interest and has significant influence since December 2021
Beijing Lianxinzhihui Technology Co., Ltd.	One of the Company's investment affiliates and the Company owns 15.93% equity interest and has significant influence
Shenzhen City Yunjitong Technology Co., Ltd	One of the Company's investment affiliates and the Company owns 18.52% equity interest and has significant influence
Shenyang Yunrongxin Technology Co., Ltd	One of the Company's investment affiliates and the Company owns 20% equity interest and has significant influence

(ii) The Company had the following related party transactions for the years ended December 31, 2021, 2022 and 2023:

	Note	Year ended December 31,		
		2021	2022	2023
		RMB	RMB	RMB
Interest free loans collected from related parties:				
-Three management employees	(a)	900	-	-
Beijing Jingu Shitong Technology Co., Ltd	(a)	1,400	-	-
Cloud-based UC&C services provided to a related party:				
-Hi Sun Technology (China) Limited	(b)	5,158	-	-
-Shanghai Keshen Information Technology Co., Ltd.	(b)	-	34	6
CPaaS services provided to related parties:				
-Beijing Lianxinzhihui Technology Co., Ltd.	(c)	200	-	-
-Shenyang Yunrongxin Technology Co., Ltd	(c)	532	1,341	913
-Shenzhen City Yunjitong Technology Co., Ltd	(c)	5	2	-
-Beijing Jingu Shitong Technology Co., Ltd	(c)	99	-	-
Project development services purchased from related parties:				
-Shenyang Yunrongxin Technology Co., Ltd	(d)	-	-	321
- Shanghai Keshen Information Technology Co., Ltd.	(d)	-	-	3,302
Research and development services purchased from a related party:				
-Hi Sun Technology (China) Limited	(d)	1,974	-	-

(a) Interest free loans provided to and collected from related parties

As of December 31, 2020, the amounts due from the three management employees were RMB900. The Company received repayments of RMB900 in cash from the three management employees of the Group in January 2021.

For the year ended December 31, 2020, the Company provided interest-free loans of RMB1,400 to Beijing Jingu Shitong Technology Co., Ltd. ("Jingu"). As of December 31, 2020, the amount due from Jingu was RMB1,400. The Company received RMB1,400 in cash from Jingu in January 2021.

(b) Cloud-based UC&C services provided to a related party

The Company provided Cloud-based UC&C services to subsidiaries of Hi Sun Technology (China) Limited ("Hi Sun Group"), a company which controls Main Access Limited, one of the Company's shareholders. Revenues of RMB5,158, nil and nil were recorded in the consolidated statements of comprehensive loss for the years ended December 31, 2021 ,2022 and 2023, respectively.

The Company provided Cloud-based UC&C services to subsidiaries of Shanghai Keshen Information Technology Co., Ltd ("Shanghai Keshen"). Revenues of nil, RMB34 and RMB6 were recorded in the consolidated statements of comprehensive loss for the year ended December 31, 2021,2022 and 2023. Amounts due from Shanghai Keshen were nil and RMB4 as of December 31, 2022 and 2023, which are included in accounts receivable - related parties, net on the consolidated balance sheets. Amounts due to Shanghai Keshen were RMB53 and RMB51, which were deposits as of December 31, 2022 and 2023.

(c) CPaaS services provided to related parties

The Company provided CPaaS services to Lianxinzhihui. Revenues of RMB200, nil, and nil were recorded in the consolidated statements of comprehensive loss for the years ended December 31, 2021, 2022 and 2023, respectively.

The Company provided CPaaS services to Shenyang Yunrongxin Technology Co., Ltd ("Shenyang Yunrongxin"). Revenues of RMB532, RMB1,341 and RMB913 were recorded in the consolidated statements of comprehensive loss for the years ended December 31, 2021, 2022 and 2023, respectively. Amounts due from Shenyang Yunrongxin were RMB99 and RMB700 as of December 31, 2022 and 2023, which are included in accounts receivable - related parties, net on the consolidated balance sheets.

The Company provided CPaaS services to Shenzhen City Yunjitong Technology Co., Ltd ("Shenzhen City Yunjitong"). Revenues of RMB5, RMB2 and nil were recorded in the consolidated statements of comprehensive loss for the years ended December 31, 2021, 2022 and 2023, respectively.

The Company provided CPaaS services to Jingu. Revenues of RMB 99, nil, and nil were recorded in the consolidated statements of comprehensive loss for the years ended December 31, 2021, 2022 and 2023, respectively.

(d) Outsourcing services purchased from related parties

The Company research and development services from Hi Sun Group, which is included in research and development expenses of RMB1,974, nil, and nil for the years ended December 31, 2021,2022 and 2023, respectively.

The Company purchased from Shenyang Yunrongxin project development services, which is included in cost of revenues of nil, nil and RMB321, for the years ended December 31, 2021, 2022 and 2023, respectively. Amounts due to Shenyang Yunrongxin were RMB722 and RMB150 as of December 31, 2022 and 2023, which are included in accounts amounts due to related parties on the consolidated balance sheets.

The Company purchased project development services from Shanghai Keshen, which is included in cost of revenues of nil, nil and RMB3,302, for the years ended December 31, 2021, 2022 and 2023, respectively. Amounts due from Shanghai Keshen were RMB105 and RMB3,350, which were prepayment of project development services fee as of December 31, 2022 and 2023, respectively.

The Company purchased project development services from Shenzhen City Yunjitong, amounts due to Shenzhen City Yunjitong were RMB5 and RMB4 as of December 31, 2022 and 2023, which are included in accounts amounts due to related parties on the consolidated balance sheets.

(iii) The Company had the following related party balances as of December 31, 2022 and 2023:

	Notes	2022	2023
		RMB	RMB
Accounts receivable - related parties, net:			
-Shanghai Keshen Information Technology Co., Ltd.	(b)	-	4
-Shenyang Yunrongxin Technology Co., Ltd	(c)	99	700
Amounts due from related parties:			
-Shanghai Keshen Information Technology Co., Ltd.	(d)	105	3,350
Total amounts due from related parties		105	3,350
Amounts due to related parties:			
-Shenyang Yunrongxin Technology Co., Ltd	(d)	722	150
-Shenzhen City Yunjitong Technology Co., Ltd	(d)	5	4
-Shanghai Keshen Information Technology Co., Ltd.	(b)	53	51
Total amounts due to related parties		780	205

22. SUBSEQUENT EVENTS

(a) Coronavirus Impact

Since the outbreak of COVID-19 throughout China and other countries and regions, a series of precautionary and control measures have been implemented worldwide to contain the virus. The outbreak of COVID-19 has had certain negative impact on the overall economy of the regions where the Company deliver its products or services. Any economic slowdown and/or negative business sentiment could potentially have an impact on the industries in which the Company's major customers operate, including the settlement of the outstanding accounts receivable from these customers.

The Group will continue to closely focus on both global and domestic situation of concerning its prevention and control, and cope with the related impacts on the Company actively.

(b) U.S. Class Action

On April 19, 2021, the Company and certain of current and former directors and officers, the underwriters of the Company in the initial public offering and the Company's agent for service of process in the United States were named as defendants in a securities class action filed in the Supreme Court of the State of New York, New York County (Index No. 652617/2021). The plaintiff alleges that the registration statement on Form F-1 in connection with the initial public offering contained material misstatements and omissions in violation of the U.S. federal securities laws, including those relating to estimates on financial results of the fourth quarter of 2020. On December 3, 2021, defendants in the Sonny St. John action filed a motion to dismiss the complaint, and on August 10, 2022, the Supreme Court of the State of New York denied that motion to dismiss. On December 10, 2021, the Company and certain of current and former directors and officers, the underwriters of the Company in the initial public offering and the Company's agent for service of process in the United States were named as defendants in a securities class action filed in the United States District Court of the Southern District of New York (Case No. 1:21-cv-10610-JGK), which also has arisen out of certain public disclosures made in connection with the initial public offering. On July 15, 2022, defendants in the Dong action filed a motion to dismiss the complaint, and on March 16, 2023, the United States District Court for the Southern District of New York denied that motion to dismiss. On June 5, 2023, we as well as all parties to the above-mentioned class action lawsuits executed a binding term sheet, which set forth all material deal points associated with the full and final resolution of the class action lawsuits. On August 16, 2023, we entered into a stipulation of settlement reflecting the terms of the settlement. The settlement documents require us to pay a total of US$12,000 (equivalent to RMB83,575) in cash to the plaintiff class. On October 5,2023, the Supreme Court of the State of New York preliminarily approved the settlement of the class action lawsuits. On October 26, 2023, the Company paid off the settlement amount. On January 23, 2024, the Supreme Court of the State of New York issued an order granting final approval of the settlement and dismissing the claims the in the Sonny St. John action.

23. PARENT ONLY FINANCIAL INFORMATION

The following condensed parent company financial information of Cloopen Group Holding Limited has been prepared using the same accounting policies as set out in the accompanying consolidated financial statements. As of December 31, 2023, there were no material contingencies, significant provisions of long-term obligations, mandatory dividend or redemption requirements of redeemable stocks or guarantees of Cloopen Group Holding Limited, except for those, which have been separately disclosed in the consolidated financial statements.

(a) Condensed Balance Sheets

	December 31,	
	2022	2023
	RMB	RMB
Assets		
Current assets		
Cash	64,344	20,475
Term deposits	713,872	85,522
Short-term investments	62,681	39,197
Other current assets	13	13
Total current assets	**840,910**	**145,207**
Non-current asset:		
Investments in and amounts due from subsidiaries and consolidated VIE and VIE's subsidiaries	857,362	1,108,131
Total non-current asset	**857,362**	**1,108,131**
Total assets	**1,698,272**	**1,253,338**
Liabilities		
Current liabilities		
Accrued expenses and other current liabilities	135,054	52,372
Total current liabilities	**135,054**	**52,372**
Total liabilities	**135,054**	**52,372**
Shareholders' equity:		
Class A Ordinary Shares	193	195
Class B Ordinary Shares	17	17
Additional paid-in capital	11,184,360	11,210,542
Treasury stock	(120,899)	(120,899)
Accumulated other comprehensive loss	(78,613)	(57,327)
Accumulated deficit	(9,421,840)	(9,831,562)
Total shareholders' equity	**1,563,218**	**1,200,966**
Total liabilities and shareholders' equity	**1,698,272**	**1,253,338**

(b) Condensed Statements of Comprehensive Loss

	Year ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Total operating expenses	(280,773)	(238,074)	(89,953)
Change in fair value of warrant liabilities	(29,011)	-	-
Share of losses from subsidiaries and consolidated VIE and VIE's subsidiaries	(594,075)	(736,824)	(319,769)
Loss before income taxes	**(903,859)**	**(974,898)**	**(409,722)**
Income tax expense	-	-	-
Net loss	**(903,859)**	**(974,898)**	**(409,722)**
Accretion and modification of Redeemable Convertible Preferred Shares	(4,878,652)	-	-
Net loss attributable to ordinary shareholders	**(5,782,511)**	**(974,898)**	**(409,722)**

(c) Condensed Statements of Cash Flows

	Year ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Net cash used in operating activities	(13,099)	(290,137)	(133,979)
Net cash used in investing activities	(1,397,584)	(335,194)	(569,407)
Net cash provided by/ (used in) financing activities	2,685,674	(47,474)	-
Effect of foreign currency exchange rate changes on cash	(58,740)	73,275	31,168
Net increase/(decrease) in cash	**1,216,251**	**(599,530)**	**(672,218)**
Cash at the beginning of the year	161,494	1,377,745	778,215
Cash at the end of the year	**1,377,745**	**778,215**	**105,997**

B. THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CLOOPEN GROUP FOR THE YEAR ENDED DECEMBER 31, 2024

CLOOPEN GROUP HOLDING LIMITED

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To the Shareholders and Board of Directors
Cloopen Group Holding Limited:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Cloopen Group Holding Limited (the "Company"), its subsidiaries and its variable interest entities (collectively the "Group") as of December 31, 2023 and 2024, the related consolidated statements of comprehensive loss, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2024, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2024, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2024, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ ARK PRO CPA & Co

We have served as the Company's auditor since 2023.

Hong Kong, China

September 3, 2025

CLOOPEN GROUP HOLDING LIMITED

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Notes	December 31, 2023 RMB	December 31, 2024 RMB	December 31, 2024 US$
ASSETS				
Current assets				
Cash	4	377,947	640,119	87,696
Restricted cash	4	4,502	10,396	1,424
Term deposits	2(i)	545,368	222,783	30,521
Short-term investments	14	422,559	291,280	39,905
Accounts receivable – third parties, net	5	143,421	120,374	16,491
Accounts receivable – related parties, net	5,19	704	389	53
Contract assets	17	26,107	27,752	3,802
Amounts due from a related party	19	3,350	2,590	355
Prepayments and other current assets	6	109,455	119,996	16,439
Total current assets		**1,633,413**	**1,435,679**	**196,686**
Non-current assets				
Long-term investments	7	54,049	54,052	7,405
Property and equipment, net	8	10,385	8,173	1,120
Operating lease right-of-use assets	9	13,992	10,800	1,480
Intangible assets, net	10	14,294	11,609	1,590
Goodwill	11	54,427	54,427	7,457
Other non-current assets		3,528	3,639	498
Total non-current assets		**150,675**	**142,700**	**19,550**
Total assets		**1,784,088**	**1,578,379**	**216,236**
LIABILITIES AND SHAREHOLDERS' EUQITY				
Current liabilities				
Accounts payable		87,729	95,485	13,081
Contract liabilities	17	363,228	306,112	41,937
Operating lease liabilities-current	9	10,300	5,843	801
Amounts due to related parties	19	205	154	21
Accrued expenses and other current liabilities	12	124,540	101,009	13,838
Total current liabilities		**586,002**	**508,603**	**69,678**
Non-current liabilities				
Operating lease liabilities-non current	9	2,164	4,731	648
Deferred income tax liabilities	15	857	466	64
Other non-current liabilities		27	-	-
Total non-current liabilities		**3,048**	**5,197**	**712**
Total liabilities		**589,050**	**513,800**	**70,390**
Commitments and contingencies (Note 18)				
SHAREHOLDERS' EQUITY:				
Class A Ordinary Shares (US$0.0001 par value, 600,000,000 shares authorized, 309,105,485 shares issued as of December 31, 2023 and 2024, and 308,308,147 and 308,053,676 shares outstanding as of December 31, 2023 and 2024, respectively)		195	195	27
Class B Ordinary Shares (US$0.0001 par value, 25,649,839 shares authorized, issued and outstanding as of December 31, 2023 and 2024; each Class B ordinary share is convertible into one Class A ordinary share)		17	17	2
Additional paid-in capital		11,210,542	11,225,945	1,537,948
Treasury stock		(120,899)	(120,899)	(16,563)
Accumulated other comprehensive loss		(57,327)	(56,362)	(7,722)
Accumulated deficit		(9,831,562)	(9,974,319)	(1,366,476)
Total shareholders' Equity attributable to Cloopen Group Holding Limited		**1,200,966**	**1,074,577**	**147,216**
Non-controlling interests		**(5,928)**	**(9,998)**	**(1,370)**
Total shareholders' Equity		**1,195,038**	**1,064,579**	**145,846**
Total liabilities and shareholders' equity		**1,784,088**	**1,578,379**	**216,236**

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Notes	Year ended December 31,			
		2022	2023	2024	
		RMB	RMB	RMB	US$
Revenues (including related parties amounts of RMB1,377, RMB 919 and RMB 163 for the years ended December 31,2022, 2023 and 2024, respectively)	17,19	593,634	571,024	573,566	78,578
Cost of revenues (including related parties amounts of RMB nil, RMB3,623 and RMB1,981 for the years ended December 31, 2022, 2023 and 2024, respectively)	19	(367,334)	(366,375)	(362,717)	(49,692)
Gross profit		226,300	204,649	210,849	28,886
Operating expenses:					
Selling and marketing expenses		(265,304)	(227,543)	(187,305)	(25,661)
General and administrative expenses		(319,217)	(191,113)	(93,916)	(12,866)
Impairment loss of goodwill		(107,407)	-	-	-
Impairment loss of intangible assets		(28,011)	-	-	-
Provision for U.S Class Action		(83,575)	-	-	-
Other operating income (expenses)		(70,417)	-	49,530	6,786
Research and development expenses	19	(326,513)	(222,538)	(177,000)	(24,249)
Total operating expenses		**(1,200,444)**	**(641,194)**	**(408,691)**	**(55,990)**
Operating loss		**(974,144)**	**(436,545)**	**(197,842)**	**(27,104)**
Interest expenses		(428)	-	-	-
Interest income		14,627	26,826	42,151	5,775
Investment income		340	563	11,859	1,625
Share of gains (losses) of equity method investments	7	(1,969)	(1,470)	3	-
Gains from disposal of long-term investments		5,138	-	-	-
Impairment loss of long-term investments	7	(7,400)	(8,011)	-	-
Gains (losses) from disposal of subsidiaries, net		(2,739)	-	403	55
Foreign currency exchange gains (losses), net		(9,666)	5,699	(3,717)	(509)
Loss before income taxes		**(976,241)**	**(412,938)**	**(147,143)**	**(20,158)**
Income tax benefit	15	342	564	316	43
Net loss		**(975,899)**	**(412,374)**	**(146,827)**	**(20,115)**
Net loss attributable to non-controlling interests		**(1,001)**	**(2,652)**	**(4,070)**	**(558)**
Net loss attributable to Cloopen Group Holding Limited		**(974,898)**	**(409,722)**	**(142,757)**	**(19,557)**
Net loss attributable to ordinary shareholders		**(974,898)**	**(409,722)**	**(142,757)**	**(19,557)**
Net loss		**(975,899)**	**(412,374)**	**(146,827)**	**(20,115)**
Other comprehensive income:					
Foreign currency translation adjustment, net of nil income taxes		153,655	21,286	965	132
Total other comprehensive income		**153,655**	**21,286**	**965**	**132**
Comprehensive loss		**(822,244)**	**(391,088)**	**(145,862)**	**(19,983)**
Comprehensive loss attributable to non-controlling interests		(1,001)	(2,652)	(4,070)	(558)
Comprehensive loss attributable to Cloopen Group Holding Limited		**(821,243)**	**(388,436)**	**(141,792)**	**(19,425)**
Net loss per ordinary share					
—Basic and diluted	16	(3.03)	(1.27)	(0.44)	(0.06)
Weighted average number of ordinary shares outstanding used in computing net loss per ordinary share					
—Basic and diluted	16	321,885,046	321,945,825	322,945,205	322,945,205

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Note	Class A ordinary shares		Class B ordinary shares		Treasury Shares	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity attributable to Cloopen Group Holding Limited	Non-controlling interests	Total shareholders' equity
		Number of shares	RMB	Number of shares	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2022		**299,727,940**	**192**	**25,649,839**	**17**	**(81,638)**	**11,066,975**	**(232,268)**	**(8,446,942)**	**2,306,336**	**(1,065)**	**2,305,271**
Change in the ownership interest in the subsidiaries		-	-	-	-	-	4,877	-	-	4,877	(1,210)	3,667
Exercise option		8,529,150	1	-	-	-	4,012	-	-	4,013	-	4,013
Issuance of restricted ordinary shares to company's interest shareholders as share based compensation	15	-	-	-	-	-	1,034	-	-	1,034	-	1,034
Repurchase of common shares		797,338	-	-	-	(39,261)	-	-	-	(39,261)	-	(39,261)
Net loss		-	-	-	-	-	-	-	(974,898)	(974,898)	(1,001)	(975,899)
Share-based compensation	15	-	-	-	-	-	107,462	-	-	107,462	-	107,462
Foreign currency translation adjustment, net of nil income taxes		-	-	-	-	-	-	153,655	-	153,655	-	153,655
Balance as of December 31, 2022		**309,054,428**	**193**	**25,649,839**	**17**	**(120,899)**	**11,184,360**	**(78,613)**	**(9,421,840)**	**1,563,218**	**(3,276)**	**1,559,942**

The accompanying notes are an integral part of these consolidated financial statements.

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CLOOPEN GROUP HOLDING LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2023

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Note	Class A ordinary shares		Class B ordinary shares		Treasury Shares	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity attributable to Cloopen Group Holding Limited	Non-controlling interests	Total shareholders' equity
		Number of shares	RMB	Number of shares	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2023		**309,054,428**	**193**	**25,649,839**	**17**	**(120,899)**	**11,184,360**	**(78,613)**	**(9,421,840)**	**1,563,218**	**(3,276)**	**1,559,942**
Cumulative effect of adoption of ASC 326		-	-	-	-	-	-	-	(196)	(196)	-	(196)
Exercise option		1,442,808	2	-	-	-	3,943	-	-	3,945	-	3,945
Net loss		-	-	-	-	-	-	-	(409,526)	(409,526)	(2,652)	(412,178)
Share-based compensation	13	-	-	-	-	-	22,239	-	-	22,239	-	22,239
Foreign currency translation adjustment, net of nil income taxes		-	-	-	-	-	-	21,286	-	21,286	-	21,286
Balance as of December 31, 2023		**310,491,236**	**195**	**25,649,839**	**17**	**(120,899)**	**11,210,542**	**(57,327)**	**(9,831,562)**	**1,200,966**	**(5,928)**	**1,195,038**
Balance as of December 31, 2023 —US$		**-**	**27**	**-**	**2**	**(17,028)**	**1,578,972**	**(8,074)**	**(1,384,747)**	**169,152**	**(835)**	**168,317**

The accompanying notes are an integral part of these consolidated financial statements.

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CLOOPEN GROUP HOLDING LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2024

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Note	Class A ordinary shares		Class B ordinary shares		Treasury Shares	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity attributable to Cloopen Group Holding Limited	Non-controlling interests	Total shareholders' equity
		Number of shares	RMB	Number of shares	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2024		**310,491,236**	**195**	**25,649,839**	**17**	**(120,899)**	**11,210,542**	**(57,327)**	**(9,831,562)**	**1,200,966**	**(5,928)**	**1,195,038**
Exercise option		588,187	-	-	-	-	1,099	-	-	1,099	-	1,099
Net loss		-	-	-	-	-	-	-	(142,757)	(142,757)	(4,070)	(146,827)
Share-based compensation	13	-	-	-	-	-	14,304	-	-	14,304	-	14,304
Foreign currency translation adjustment, net of nil income taxes		-	-	-	-	-	-	965	-	965	-	965
Balance as of December 31, 2024		**311,079,423**	**195**	**25,649,839**	**17**	**(120,899)**	**11,225,945**	**(56,362)**	**(9,974,319)**	**1,074,577**	**(9,998)**	**1,064,579**
Balance as of December 31, 2024 —US$		**-**	**27**	**-**	**2**	**(16,563)**	**1,537,948**	**(7,722)**	**(1,366,476)**	**147,216**	**(1,370)**	**145,846**

The accompanying notes are an integral part of these consolidated financial statements.

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CLOOPEN GROUP HOLDING LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Year ended December 31,			
	2022	2023	2024	
	RMB	RMB	RMB	US$
Operating activities:				
Net loss	**(975,899)**	**(412,374)**	**(146,827)**	**(20,115)**
Adjustments to reconcile net loss to net cash used in operating activities				
Allowance for doubtful accounts	25,589	16,456	(3,875)	(531)
Share-based compensation	107,462	22,238	14,304	1,960
Depreciation of property and equipment and amortization of Intangible assets	13,893	8,775	7,634	1,046
Amortization of right-of-use asset and interest on lease liabilities	8,823	4,516	8,468	1,160
Deferred tax benefit	(8,806)	(429)	(390)	(54)
Share of losses (gains) of equity method investments	1,969	1,470	(3)	-
Gains from disposal of long-term investments	(5,138)	-	-	-
Impairment loss of long-term investments	7,400	8,011	-	-
Loss from disposal of property and equipment	62	66	63	9
Investment income	(340)	(563)	(11,859)	(1,625)
Impairment loss of intangible assets	28,011	-	-	-
Impairment loss of goodwill	107,407	-	-	-
Losses (gains) from disposal of subsidiaries, net	2,739	-	(403)	(55)
Provision for U.S Class Action	83,575	-	-	-
Unrealized foreign exchange (gains) losses	9,666	(5,699)	3,717	509
Changes in operating assets and liabilities, net of effect of disposal of subsidiaries:				
Accounts receivable - third parties, net	1,234	(28,125)	38,573	5,284
Accounts receivable - related parties, net	216	(724)	34	5
Contract assets	(31,422)	26,675	(13,015)	(1,783)
Amounts due from related parties	(105)	(3,245)	760	104
Prepayments and other current assets	27,591	(1,326)	1,726	236
Operating lease right-of-use assets	(25,165)	(2,166)	(5,276)	(723)
Other non-current assets	(1,452)	1,052	(111)	(15)
Accounts payable	(24,589)	(34,395)	7,756	1,063
Contract liabilities	61,863	3,427	(57,116)	(7,825)
Amounts due to related parties	(14)	(575)	(51)	(7)
Operating lease liabilities	16,610	(4,146)	(1,890)	(259)
Other non-current liabilities	(2,424)	3,063	-	-
Accrued expenses and other current liabilities	3,974	(118,184)	(22,459)	(3,077)
Net cash used in operating activities	**(567,270)**	**(516,202)**	**(180,240)**	**(24,693)**
Investing activities:				
Cash paid for business combination	(116,396)	(8,915)	-	-
Cash paid for purchase of property and equipment	(5,825)	(807)	(2,892)	(396)
Cash paid for purchase of intangible assets	(980)	(952)	(328)	(45)
Cash paid for purchase of other equity investments	-	(5,000)	-	-
Cash received from sale of short-term investments	64,833	24,663	357,825	49,022
Cash paid for purchase of short-term investments	(349,350)	(28,187)	(222,036)	(30,419)
Cash received from disposal of property and equipment	-	15	4	1
Cash Received from disposal of long-term investments	64,987	-	-	-
Cash paid for term deposits	(4,345,910)	(938,458)	(1,243,877)	(170,410)
Cash received from maturity of term deposits	5,040,269	1,308,935	1,571,532	215,298
Net cash provided by/(used in) investing activities	**351,628**	**351,294**	**460,228**	**63,051**
Financing activities:				
Repayment of long-term borrowings	(8,004)	-	-	-
Repurchase of treasury stock	(39,261)	-	-	-
Repayment for short-term bank borrowings	(5,500)	-	-	-
Net cash provided by/(used in) financing activities	**(52,765)**	-	-	-
Effect of foreign currency exchange rate changes on cash	138,795	20,092	(11,922)	(1,633)
Net increase/(decrease) in cash and restricted cash	**(129,612)**	**(144,816)**	**268,066**	**36,725**
Cash and restricted cash at the beginning of the year	656,877	527,265	382,449	52,395
Cash and restricted cash at the end of the year	**527,265**	**382,449**	**650,515**	**89,120**
Supplemental information				
Interest paid	479	-	-	-
Income tax paid	368	93	11	2
Income tax refund	-	-	(774)	(106)

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

1. DESCRIPTION OF BUSINESS, ORGANIZATION AND BASIS OF PRESENTATION

Organization and principal activities

Cloopen Group Holding Limited ("the Company"), through its wholly-owned subsidiaries, consolidated variable interest entity ("VIE") and VIE's subsidiaries (collectively referred to as "the Group"), is principally engaged in providing integrated communication services based on cloud computing technology. The Group's principal operations and geographic markets are mainly in the People's Republic of China ("PRC").

The accompanying consolidated financial statements include the financial statements of the Company, its subsidiaries, consolidated VIE and VIE's subsidiaries.

The VIE arrangements

The Group operates its cloud communication business in the PRC through Beijing Ronglian Yitong Information Technology Co., Ltd. ("Ronglian Yitong", or the "VIE"), a limited liability company established under the laws of the PRC on March 31, 2009. Ronglian Yitong and its subsidiaries holds the necessary PRC operating licenses for the online businesses. The equity interests of Ronglian Yitong are legally held by Mr. Changxun Sun, the founder, chairman of board of directors and chief executive officer, Mr. Jianhong Zhou, the director of the Company, Lhasa Heye Investment Management Co., Ltd., and Beijing Hongshan Shengde Equity Investment Center (Limited Partnership) who act as nominee equity holders of the VIE on behalf of Anxun Guantong (Beijing) Technology Co., Ltd. ("Anxun Guantong" or "WFOE"), the Company's wholly-owned subsidiary. A series of contractual agreements, including Powers of Attorney, Exclusive Business Cooperation Agreement, Equity Pledge Agreement, Exclusive Option Agreement and Spousal Consent Letter (collectively, the "VIE Agreements"), were entered among the Company, Anxun Guantong, Ronglian Yitong and its nominee equity holders.

Pursuant to the VIE Agreements, the Company is able to exercise effective control over, bears the risks of, enjoys substantially all of the economic benefits of the VIE, and has an exclusive option to purchase all or part of the equity interests in the VIE when and to the extent permitted by the PRC law at the lowest price possible. The Company's management concluded that Ronglian Yitong is a VIE and the Company is its primary beneficiary. As such, the consolidated financial statements of the VIE are included in the consolidated financial statements of the Company.

The principal terms of the VIE Agreements are further described below.

1) Powers of Attorney

The Company and each of the equity holders of Ronglian Yitong entered into Powers of Attorney. Pursuant to the Powers of Attorney, the equity holders of Ronglian Yitong irrevocably appointed Anxun Guantong as their attorney-in-fact to exercise all equity holder rights, including, but not limited to, proposing, convening and attending in the equity holders' meeting, appointing or removing directors, executive officers and senior management, disposing of all or part of the equity holder's interests in Ronglian Yitong, casting the equity holders' votes on matters requiring equity holders' approval and doing all other acts in the capacity of the equity holders as permitted by Ronglian Yitong's Memorandum and Articles of Association. In addition, the Company has a right to assign its rights and benefits under the Powers of Attorney to any other parties without an advance notice to the equity holders of Ronglian Yitong. The Powers of Attorney shall continue in force and be irrevocable as long as the equity holders of Ronglian Yitong remain as the equity holders of Ronglian Yitong.

2) Exclusive Business Cooperation Agreement

Anxun Guantong and Ronglian Yitong entered into an Exclusive Business Cooperation Agreement, whereby Anxun Guantong is appointed as the exclusive service provider for the provision of business support, technology and consulting services to Ronglian Yitong. Unless a written consent is given by Anxun Guantong, Ronglian Yitong is not allowed to engage a third party to provide such services, while Anxun Guantong is able to designate another party to render such services to Ronglian Yitong. Ronglian Yitong shall pay Anxun Guantong on a monthly basis a service fee, which shall be equal to 100% of the monthly net profits of Ronglian Yitong, and Anxun Guantong has the sole discretion to adjust the basis of calculation of the service fee amount according to service provided to Ronglian Yitong. Anxun Guantong owns the exclusive intellectual property rights, whether created by Anxun Guantong or Ronglian Yitong, as a result of the performance of the Exclusive Business Cooperation Agreement unless terminated in writing by Anxun Guantong. The Exclusive Business Cooperation Agreement may be extended if confirmed in writing by Anxun Guantong prior to the expiration thereof. The extended term shall be determined by Anxun Guantong, and Ronglian Yitong shall accept such extended term unconditionally.

3) Equity Pledge Agreement

An Equity Pledge Agreement was entered into by and among Anxun Guantong, Ronglian Yitong and equity holders of Ronglian Yitong. To guarantee payment from Ronglian Yitong, including but not limited to the service fee pursuant to the Exclusive Business Cooperation Agreement, and the performance of Ronglian Yitong and the nominee equity holders' obligations under the contractual arrangements including the Exclusive Business Cooperation Agreement, Exclusive Option Agreement and Powers of Attorney, the equity holders of Ronglian Yitong pledged their respective equity in Ronglian Yitong to Anxun Guantong under the Equity Pledge Agreement as collateral. In the event Ronglian Yitong fails to pay Anxun Guantong its service fee, Anxun Guantong will have the right to sell the pledged equity and apply the proceeds received to pay any outstanding service fees due by Ronglian Yitong to Anxun Guantong. The equity holders of Ronglian Yitong agree that, during the term of the Equity Pledge Agreement, they will not dispose of the pledged equity or create or allow any encumbrance on the pledged equity, and they also agree that Anxun Guantong's rights relating to the equity pledges shall not be prejudiced by any legal actions of the equity holders of Ronglian Yitong , their successors or their designees. Except that the pledge of approximately 1.55% of the equity interests of VIE is subject to the registration in compliance with the PRC Property Rights Law, the equity pledge was registered with the relevant local administration for industry and commerce in October 2019 and may only be terminated upon the fulfillment of all contractual obligations under the Exclusive Business Cooperation Agreement, Exclusive Option Agreement and Powers of Attorney. During the term of the Equity Pledge Agreement, Anxun Guantong is entitled to receive dividends attributable to the pledged Ronglian Yitong equity.

4) Exclusive Option Agreement

Each of the equity holders of Ronglian Yitong entered into an Exclusive Option Agreement with Anxun Guantong, and Ronglian Yitong, pursuant to which the equity holders of Ronglian Yitong granted Anxun Guantong or other person upon the designation by Anxun Guantong, an irrevocable and exclusive option to purchase, at its discretion and to the extent permitted under the PRC law, all or part of the equity holders' interests in Ronglian Yitong at the lowest price that the PRC law permits at the time unless a valuation of the equity is required by the PRC law. The equity holders of Ronglian Yitong commit that without the prior written consent of Anxun Guantong, the equity holders of Ronglian Yitong will not, among other things, (1) change or amend the Memorandum and Articles of Association , increase or decrease Ronglian Yitong's registered capital, change its structure of registered capital in other manners; (2) sell, transfer, mortgage or dispose of in any manner any assets of Ronglian Yitong or legal or beneficial interest in the business or revenue of Ronglian Yitong, or allow the encumbrance thereon of any security interest; (3) incur, inherit, guarantee or suffer the existence of any debt, except for (i) debts incurred in the ordinary course of business other than through loans and (ii) debts disclosed to Anxun Guantong for which Anxun Guantong's written consent has been obtained; (4) providing any person with any loan or credit or guarantee in any form; (5) cause or permit Ronglian Yitong to merge, consolidate with, acquire or invest in any person, and/or sell permit Ronglian Yitong to sell assets with a value of over RMB500,000; (6)in any manner distribute dividends to its shareholders; (7) create any pledge or encumbrance on their equity interests in Ronglian Yitong; (8) transfer or otherwise dispose of their equity interests in Ronglian Yitong and its equity holders shall appoint those individuals recommended by Anxun Guantong as directors of Ronglian Yitong. Ronglian Yitong shall provide operating and financial information to the Company at the request of Anxun Guantong and ensure the continuance of the business. The Exclusive Option Agreement will remain effective until all equity interests in Ronglian Yitong held by its equity holders are transferred or assigned to the Company or its designee. Ronglian Yitong and its equity holders shall not have any right to terminate the Exclusive Option Agreement.

5) Spousal Consent Letter

Pursuant to the Spousal Consent Letters executed by the spouse of the principal individual shareholder of the VIE, the signing spouse confirmed that she does not enjoy any right or interest in connection with the equity interests of the VIE. The spouse also irrevocably agreed that she would not claim in the future any right or interest in connection with the equity interests in the VIE held by her spouse.

Risks in relation to the VIE structure

In the opinion of the Company's management, the VIE Agreements have resulted in the WFOE having the power to direct activities that most significantly impact the VIE, including appointing key management, setting up operating policies, exerting financial controls and transferring profit or assets out of the VIE at its discretion. The Company considers that it has the right to receive all the benefits and assets of the VIE. As the VIE was established as a limited liability company under the PRC law, its creditors do not have recourse to the general credit of the Company for the liabilities of the VIE, and the Company does not have the obligation to assume the liabilities of the VIE.

The Company has determined that the VIE Agreements are in compliance with the PRC laws and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce the VIE Agreements; and if the equity holders of the VIE were to reduce their interest in the Company, their interests may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual terms.

The Company's ability to control the VIE also depends on the rights provided to the Company under the Powers of Attorney to vote on all matters requiring equity holders' approval in the respective VIE. As noted above, the Company believes these Powers of Attorney are legally enforceable but yet they may not be as effective as direct equity ownership. In addition, if the corporate structure of the Group or the contractual arrangements among the Company, Anxun Guantong, the VIE and its respective equity holders were found to be in violation of any existing PRC laws and regulations, the relevant PRC regulatory authorities could:

- revoke the business license and/or operating licenses of such entities;
- discontinue or place restrictions or onerous conditions on the Group's operations;
- impose fines, confiscating the income from the VIE, or imposing other requirements with which the Group may not be able to comply;
- require the Group to restructure its ownership structure or operations, including terminating the contractual arrangements with the VIE and deregistering the equity pledges of the VIE, which in turn would affect the Company's ability to consolidate, derive economic interests from, or exert effective control over the VIE; or
- restrict or prohibit our use of the proceeds of this offering to finance our business and operations in the PRC.

The imposition of any of the above restrictions or actions may result in a material and adverse effect on the Group's ability to conduct its business. In addition, if the imposition of any of these restrictions causes the Company to lose the right to direct the activities of the VIE or the right to receive its economic benefits, the Company would no longer be able to consolidate the VIE. The Company's management believes that the likelihood to lose the Company's current ownership structure or the contractual arrangements with the VIE is remote based on the current facts and circumstances.

There is no VIE in which the Company has a variable interest but is not the primary beneficiary. Currently there is no contractual arrangement that could require the Company to provide additional financial support to the VIE.

The following consolidated assets and liabilities information of the Group's VIE as of December 31, 2023 and 2024, and consolidated revenues, net loss and cash flow information for the years then ended, have been included in the accompanying consolidated financial statements:

	December 31,	
	2023	2024
	RMB	RMB
Cash	106,603	139,299
Restricted cash	4,502	10,396
Accounts receivable - third parties, net	140,673	112,705
Accounts receivable - related parties, net*	50,144	49,603
Contract assets	26,107	27,752
Amounts due from related parties	117,764	8,575
Prepayments and other current assets	63,607	73,556
Total current assets	**509,400**	**421,886**
Long-term investments	54,049	54,052
Property and equipment, net	9,943	6,759
Operating lease right-of-use assets	11,094	6,856
Intangible assets, net	13,639	11,507
Goodwill	54,427	54,427
Other non-current assets	2,997	2,949
Total assets	**655,549**	**558,436**
Accounts payable	81,211	84,134
Contract liabilities	363,180	299,010
Amounts due to related parties**	2,217,392	2,207,995
Operating lease liabilities-current	7,775	3,930
Accrued expenses and other current liabilities	58,859	60,321
Total current liabilities	**2,728,417**	**2,655,390**
Operating lease liabilities-non current	1,942	2,707
Deferred income tax liabilities	857	466
Total liabilities	**2,731,216**	**2,658,563**

* Accounts receivable-related parties, net includes accounts receivable, net due from the Company and its subsidiaries, which are eliminated upon consolidation, and accounts receivable, net due from one of the Company's shareholders and other related parties of RMB704 and RMB389 as of December 31, 2023, and 2024.

** Amounts due to related parties include amounts due to the Company and its subsidiaries, which are eliminated upon consolidation, and amounts due to one of the Company's shareholders and other related parties of RMB205 and RMB 154 as of December 31, 2023 and 2024.

	Year ended December 31,		
	2022	2023	2024
	RMB	*RMB*	*RMB*
Revenues	636,320	553,910	563,277
Net loss	(544,042)	(232,856)	(33,078)
Net cash provided by/ (used in) operating activities	(574,227)	(184,395)	46,516
Net cash provided by/ (used in) investing activities	26,940	(6,700)	(3,216)
Net cash provided by/ (used in) financing activities	437,759	218,926	(4,712)
Net increase / (decrease) in cash and restricted cash	(109,528)	27,831	38,588
Cash and restricted cash at the beginning of the year	192,803	83,275	111,106
Cash and restricted cash at the end of the year	83,275	111,106	149,694

In accordance with VIE Agreements, WFOE has the power to direct the activities of the VIE. Therefore, the Company considers that there are no assets in the VIE that can be used only to settle obligations of the VIE, except for restricted cash of RMB4,502 and RMB10,396 as of December 31, 2023 and 2024, respectively. The creditors of VIEs do not have recourse to the general credit of WFOE.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The accompanying consolidated financial statements contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. The realization of assets and the satisfaction of liabilities in the normal course of business are dependent on, among other things, the Group's ability to operate profitably, to generate cash flows from operations, and its ability to attract investors and to borrow funds on reasonable economic terms.

(b) Principles of Consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, the VIE for which the WFOE is the primary beneficiary, and the VIE's subsidiaries.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power or has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at the meeting of directors. A VIE is an entity in which the Company, or its subsidiary, through contractual arrangements, exercises effective control over the activities that most impact the economic performance, bears the risks of, and enjoys the rewards normally associated with ownership of the entity, and therefore the Company or its subsidiary is the primary beneficiary of the entity.

All intercompany transactions and balances among the Company, its subsidiaries, the VIE, and the VIE's subsidiaries have been eliminated upon consolidation.

The following table lists major subsidiaries and the consolidated VIEs of the Company as of December 31, 2024:

	Palace of Incorporation	Percentage of ownership
Beijing Ronglian Yitong Information Technology Co., Ltd.	PRC	VIE
Beijing Ronglian Qimo Technology Co., Ltd.	PRC	100%
Beijing Ronglian Guanghui Technology Co., Ltd.	PRC	100%
Beijing Baiyi High-tech Information Technology Co., Ltd.	PRC	100%
Beijing Ronglian Huitong Technology Information Co., Ltd.	PRC	100%
Shenzhen Zhongtian Wangjing Technology Co., Ltd.	PRC	100%
Cloopen Japan Co., Ltd.	Japan	100%
Anxun Guantong (Beijing) Technology Co., Ltd.	PRC	100%
Cloopen limited	HK	100%

(c) Use of Estimates

The preparation of the consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures of contingent assets and liabilities at the balance sheet date, and the reported revenues and expenses during the reported period in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates, and as such, differences may be material to the consolidated financial statements. Significant accounting estimates reflected in the Group's financial statements include, but not limited to, revenue recognition, fair value of assets and liabilities acquired in business combination, the allowance for credit loss of accounts receivable and contract assets, depreciable lives and recoverability of property and equipment and intangible assets, assessment of impairment of long-lived assets, intangible assets and goodwill, the realization of deferred income tax assets, the fair value of share based compensation awards, short-term investments, equity method investments, other equity investments, incremental borrowing rates for operating lease liabilities, and management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances.

In March 2020, the World Health Organization declared the outbreak of a disease caused by a novel strain of the coronavirus ("COVID-19") to be a pandemic. After the initial outbreak of the COVID-19, some instances of COVID-19 infections have emerged from time to time. The COVID-19 pandemic has created and may continue to create significant uncertainty in the macroeconomic environment which, in addition to other unforeseen effects of this pandemic, may adversely impact the Group's results of operations. The extent to which COVID-19 would impacts the results of operations is contingent on the future developments of the outbreak, including constant updates concerning the global severity of and actions needed to contain the outbreak, which are highly uncertain and unpredictable. Due to the uncertainty and the economic implications on global economics conditions from the COVID-19 pandemic, certain estimates and assumptions may change in the near term.

(d) Convenience Translation

Translations of the consolidated financial statements from RMB into US$ as of and for the year ended December 31, 2024 are solely for the convenience of the readers and were calculated at the rate of US$1.00 = RMB7.2993, representing the noon buying rate in The City of New York for cable transfers of RMB as set forth in the H.10 weekly statistical release of Federal Reserve Board on December 31, 2024. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US$ at that rate on December 31, 2024, or at any other rate.

(e) Commitments and Contingencies

In the normal course of business, the Group is subject to loss contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters, including, among others, government investigations, shareholder lawsuits, and non-income tax matters. An accrual for a loss contingency is recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed.

(f) Business combinations

Business combinations are recorded using the acquisition method of accounting in accordance with ASC topic 805 ("ASC 805"): Business Combinations. The acquisition method of accounting requires an acquirer to determine the identifiable acquired assets, the liabilities assumed and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date. The consideration transferred for an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities assumed, and equity instruments issued as well as the contingent considerations as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total cost of the acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings.

(g) Cash

Cash consists of cash on hand and cash at bank. Cash at bank are deposited in financial institutions at below locations:

	December 31,	
	2023	2024
	RMB	RMB
Cash balances include deposits in: Financial institutions in the mainland of the PRC		
—Denominated in Renminbi ("RMB")	237,178	257,829
—Denominated in US$	58,722	160,963
Total cash balances held at mainland PRC financial institutions	**295,900**	**418,792**
Financial institutions in Hong Kong Special Administrative Region ("HKSAR")		
—Denominated in US$	30,882	180,551
Total cash balances held at HKSAR financial institutions	**30,882**	**180,551**
Financial institutions in Japan		
—Denominated in Japanese Yen	28,544	25,265
— Denominated in United Stated Dollars ("USD")	14,720	11,030
Total cash balances held at Japan financial institutions	**43,264**	**36,295**
Financial institutions in Malaysia		
—Denominated in Malaysian Ringgit	413	842
—Denominated in US$	286	77
Total cash balances held at Malaysia financial institutions	**699**	**919**
Financial institutions in Singapore		
—Denominated in SGD	6,153	1,978
— Denominated in United Stated Dollars ("USD")	46	1,166
Total cash balances held at Singapore financial institutions	**6,199**	**3,144**
Financial institutions in Korean		
— Denominated in Korean Won ("KRW")	280	362
— Denominated in United Stated Dollars ("USD")	227	49
Total cash balances held at Korean financial institutions	**507**	**411**
Financial institutions in Mexico		
— Denominated in United Stated Dollars ("USD")	**496**	**7**
Total cash balances held at Korean financial institutions	**496**	**7**
Total cash balances held at financial institutions	**377,947**	**640,119**
Total cash balances	**377,947**	**640,119**

The bank deposits, including term deposits, with financial institutions in the mainland of the PRC and Japan are insured by the government authorities up to RMB500 and JPY10,000, respectively. The bank deposits including term deposits are insured by the government authorities with amounts up to RMB22,854 and RMB20,422 as of December 31, 2023, and 2024, respectively. The Company has not experienced any losses in uninsured bank deposits and does not believe that it is exposed to any significant risks on cash held in bank accounts. To limit exposure to credit risk, the Company primarily places bank deposits with large financial institutions in the PRC and Japan with acceptable credit rating.

(h) Restricted cash

Cash balances that have restrictions as to withdrawal or usage are considered restricted cash. Restricted cash that will be released to cash within the next 12 months is classified as current asset, while the balance restricted for use longer than one year is classified as non-current asset on the consolidated balance sheets.

(i) Term deposits

Term deposits represent deposits at banks with original maturities more than three months but less than one year. The Group's term deposits were denominated in US$ and were deposited at financial institutions in the mainland of the PRC with the interest rate of 5.13%, and 4.72% per annum as of December 31, 2023 and 2024, respectively.

Term deposits maintained at financial institutions consist of the following:

	2023 RMB	2024 RMB
US$ denominated bank deposits with financial institutions in the PRC	545,368	222,783

To limit exposure to credit risk relating to bank deposits, the Company primarily places term deposits only with large financial institutions in the PRC with acceptable credit rating.

(j) Short-term Investments

The Group's short-term investments represent the Group's investments in financial products managed by financial institutions in the PRC and Cayman which are redeemable at the option of the Group on any working day. Short-term investments are classified as available for sale debt securities and reported at fair value, with unrealized holding gains or losses, net of any related income tax effect, excluded from earnings and recorded as accumulated other comprehensive loss until realized. Realized gains or losses from the sale of short-term investments are determined on a specific identification basis and are recorded as investment income when earned.

(k) Accounts Receivable, net

Prior to January 1, 2023, the Company assesses recoverability of accounts receivable in accordance with ASC 310. Subsequent to January 1, 2023, accounts receivable is recorded at the realizable value amount, net of allowances for credit loss in accordance with ASC 326 and records the allowance for credit losses as an offset to accounts receivable. The estimated credit losses are classified as "General and administrative" in the consolidated statements of comprehensive loss. The Company assesses collectability by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when the Company identifies specific customers with known disputes or collectability issues. In determining the amount of the allowance for credit losses using probability-of-default method, the Company considers size, the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses, and other factors that may affect the Company's ability to collect from customers.

(l) Long-term investments

Equity method investments

The Group applies the equity method to account for an equity interest in an investee over which the Group has significant influence but does not own a majority equity interest or otherwise control.

Under the equity method of accounting, the Group's share of the investee's results of operations is reported as share of losses of equity method investments in the consolidated statements of comprehensive loss.

The Group recognizes an impairment loss when there is a decline in value below the carrying value of the equity method investment that is considered to be other than temporary. The process of assessing and determining whether impairment on an investment is other than temporary requires a significant amount of judgment. To determine whether an impairment is other than temporary, management considers whether it has the ability and intent to hold the investment until recovery and whether evidence indicating the carrying value of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the decline in value, any change in value subsequent to the period end, and forecasted performance of the investee.

Other equity investments

The Group elects the measurement alternative in ASC 321 and measures investments in "equity investment" at cost, adjusted for changes resulting from impairments and observable price changes in orderly transactions for identical or similar securities of the same issuer. The Group considers information in periodic financial statements and other documentation provided by the investees to determine whether observable price changes have occurred.

The Group makes a qualitative assessment considering impairment indicators to evaluate whether the equity investments without a readily determinable fair value is impaired at each reporting period, and written down to its fair value if a qualitative assessment indicates that the investment is impaired and the fair value of the investment is less than its carrying value. If an equity investment without a readily determinable fair value is impaired, the Group includes an impairment loss in net income equal to the difference between the fair value of the investment and its carrying amount.

(m) Property and Equipment, net

Property and equipment are stated at cost less accumulated depreciation and any recorded impairment.

The estimated useful lives are as follows:

Computer and office equipment	3-5 years
Furniture and fixtures	3-5 years
Motor vehicles	4-5 years
Buildings	20 years
Leasehold improvements	The shorter of lease terms and estimated useful lives

Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets.

When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value and the proceeds received thereon. Ordinary maintenance and repairs are charged to expense as incurred.

(n) Intangible Assets, net

Intangible assets purchased from third parties are initially recorded at cost and amortized on a straight-line basis over the estimated economic useful lives. The Group performs valuation of the intangible assets arising from business combination to determine the fair value to be assigned to each asset acquired. The acquired intangible assets are recognized and measured at fair value and are expensed or amortized using the straight-line approach over the estimated economic useful lives of the assets.

The estimated useful lives of intangible assets are as follows:

Software copyrights	8 years
Telecommunication business operation licenses	3-5 years
Technology	6-10 years
Non-compete arrangements	4-7 year
Customer relationship	3-10 years
Trademark	10 years
Order backlogs	1-4 years
Software	3-8 years

(o) Goodwill

Goodwill represents the excess of the purchase consideration over the acquisition date amounts of the identifiable tangible and intangible assets acquired and liabilities assumed from the acquired entity as a result of the Company's acquisitions of interests in its subsidiaries. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. In accordance with ASC 350, the Company may first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. In the qualitative assessment, the Company considers factors such as macroeconomic conditions, industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations, business plans and strategies of the reporting unit, including consideration of the impact of the COVID-19 pandemic. Based on the qualitative assessment, if it is more likely than not that the fair value of a reporting unit is less than the carrying amount, the quantitative impairment test is performed. The Company may also bypass the qualitative assessment and proceed directly to perform the quantitative impairment test.

The Company performs the quantitative impairment test by comparing the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount of a reporting unit exceeds its fair value, the amount by which the carrying amount exceeds the reporting unit's fair value is recognized as impairment. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, allocation of assets, liabilities and goodwill to reporting units, and determination of the fair value of each reporting unit.

(p) Impairment of Long-lived Assets

Long-lived assets such as property and equipment and intangible assets with finite lives are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be fully recoverable or that the useful life is shorter than the Group had originally estimated. When these events occur, the Group evaluates the impairment for the long-lived assets by comparing the carrying value of the assets to an estimate of future undiscounted cash flows expected to be generated from the use of the assets and their eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying value of the assets, the Group recognizes an impairment loss based on the excess of the carrying value of the assets over the fair value of the assets.

(q) Value Added Taxes

The Company's PRC subsidiaries are subject to value added tax ("VAT"). Revenue from providing cloud communication services and communication devices sales are generally subject to VAT at the rate of 6% and 13% since April 1, 2019, or 6% to 16% between May 1, 2018 and April 1, 2019, and subsequently paid to PRC tax authorities after netting input VAT on purchases. The excess of output VAT over input VAT is reflected in accrued expenses and other current liabilities, and the excess of input VAT over output VAT is reflected in prepayments and other current assets in the consolidated balance sheets.

(r) Fair Value Measurements

Fair value represents the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

Accounting guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Accounting guidance establishes a three-level fair value hierarchy and requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs are:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2—Include other inputs that are directly or indirectly observable in the marketplace.
Level 3—Unobservable inputs which are supported by little or no market activity.

Accounting guidance also describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

Financial assets and liabilities of the Group primarily consist of cash, restricted cash, term deposits, short-term investments, accounts receivable - third parties, net, accounts receivable - related parties, net, other receivables included in prepayments and other current assets, long-term investment, amounts due from related parties, accounts payable, contract liabilities, other payables included in accrued expenses and other current liabilities. The Group measures short-term investments at fair value on a recurring basis. Short-term investments include financial products issued by financial institutions, which are valued based on prices per units quoted by issuers and are categorized in Level 2 of the fair value hierarchy.

The Group's non-financial assets, such as intangible assets and property and equipment, would be measured at fair value only if they were determined to be impaired.

(s) Revenue recognition

The Group accounts for its revenue contracts in accordance with ASC Topic 606, Revenue from Contracts with Customers (ASC 606). According to ASC 606, revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services. The Group determines revenue recognition through the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

The Group generate substantially all of the Group's revenues from the following services and products:

(1) Communication Platform-as-a-Service ("CPaaS") which allows customers to send text messages and place voice calls using the Company's cloud-based platform;

(2) Cloud-based Contact Centers ("Cloud-based CC") with which customers can operate their virtual contact centers and access related value-added services using the Company's cloud-based platform; and

(3) Cloud-based Unified Communications and Collaborations ("Cloud-based UC&C") where the Company creates customized communications software on customers' private clouds to meet their specific needs and deliver the software licenses to customers.

The Company recognizes revenue upon the transfer of control of promised products or services provided to the Company's customers, in the amount of consideration the Company expect to receive for those products or services (excluding sales taxes collected on behalf of government authorities). The Company's revenue contracts generally do not include a right of return in relation to the delivered products or services.

The timing of revenue recognition may differ from the timing of invoicing to the Company's customers. The Company record a contract asset when revenue is recognized prior to invoicing, and a contract liability when payment is received from a customer in advance of revenue recognition. The Company generally issue invoices based on contract terms, which may be when the services are completed, upon customer acceptance of the Company's deliverables or at preset milestones. Payments are due with standard payment terms which are generally not more than 90 days from invoice issuance.

We recognize the incremental costs of obtaining contracts as selling, general and administrative expenses when incurred if the amortization period of the asset that otherwise would have been recognized is one year or less. Assets recognized for costs to obtain a contract were not material as of December 31, 2024. Costs to fulfill a contract are recorded as assets if they relate directly to a contract or a specific anticipated contract, the costs generate or enhance resources that will be used in satisfying performance obligations in the future and the costs are expected to be recovered. Costs to fulfill a contract recognized as assets primarily consist of labor and materials costs and generally relate to engineering and set-up costs incurred prior to the satisfaction of performance obligations. Assets recognized for costs to fulfill a contract are included in the "Prepaid expenses and other current assets" line of the consolidated balance sheets and were not material as of December 31, 2024. Such assets are recognized as expenses as we transfer the related goods or services to the customer. All other costs to fulfill a contract are expensed as incurred.

As of December 31, 2024, there were no material amounts of remaining performance obligations that are required to be disclosed. As permitted by ASC 606, we have elected not to disclose information about remaining performance obligations where i) the performance obligation is part of a contract that has an original expected duration of one year or less or ii) when we recognize revenue from the satisfaction of the performance obligation in accordance with the right-to-invoice practical expedient.

CPaaS revenues

The Company accounts for revenue from customers' usage of text message and voice call services on the Company's CPaaS platform as two separate performance obligations. The Company's service fees are determined by applying the contractual unit price to the monthly usage volume of text messages sent or minutes of voice calls placed and a contractual monthly fixed charge per subscriber multiplied by the number of subscribers recorded by the Company's CPaaS platform where relevant. The cloud-based services to send text messages and place voice calls are sold separately to customers with observable standalone selling prices.

The Company also provides services as an agent in provision of CPaaS platforms to customers. The Company identified one performance obligation and recognized the revenues, on a monthly basis, at the amount equal to the difference between the amount charged to the customers and the amount charged by telecommunication operators. The gross amount of revenue from services as an agent was RMB89 million, 69million and RMB50 million for the years ended December 31, 2022, 2023 and 2024, respectively. The net amount of revenue from services as an agent was RMB14 million, RMB16 million and RMB15 million for the years ended December 31, 2022, 2023 and 2024, respectively.

The service contracts are generally with a length between 3 and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide the customer with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant the Company or customers a unilateral right to terminate the contracts before completion.

Cloud-based CC revenues

Customers subscribe to the Company's basic Cloud-based CC services at a fixed monthly fee and pay for other value-added services on a usage basis. The Company recognizes the monthly service fees ratably over the contract period during which the Company is obligated to grant customers continuous access to those basic Cloud-based CC services. Revenue for other value-added services on top of the basic subscription is determined by applying the contractual unit price to the monthly usage volume and recognized when the related services are provided to customers. The basic subscription is sold to customers at the same price with or without the value-added services, so the transaction price is allocated on the basis of observable stand-alone selling prices.

The service contracts are generally with a length between 3 and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide customers with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant the Company or customers a unilateral right to terminate the contracts before completion.

The Company also offers customized Cloud-based CC solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. The Company has identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized CC license and other highly interdependent and interrelated services, and has accounted for the promise as one combined performance obligation. The Company applies an iterative process to design, test and implement the software in customers' IT environment and recognizes revenue for this performance obligation over a period of time during which the control of the customized Cloud-based CC solution is progressively transferred to the customers. The Company uses an input method to estimate progress, based on the proportion of the labour hours incurred relative to the estimated total labour hours. The Company also offers standard or non-complex cloud-based CC solutions to customers, and has identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. The Company's Cloud-based CC contracts generally include a standard assurance-type warranty.

Cloud-based UC&C revenues

The Company offers customized Cloud-based UC&C solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. The Company has identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized UC&C license and other highly interdependent and interrelated services, and has accounted for the promise as one combined performance obligation. The Company applies an iterative process to design, test and implement the software in customers' IT environment and recognizes revenue for this performance obligation over a period of time during which the control of the customized UC&C solution is progressively transferred to the customers. The Company uses an input method to estimate progress, based on the proportion of the labour hours incurred relative to the estimated total labour hours. The Company also offers standard or non-complex cloud-based UC&C solutions to customers, and has identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. Our cloud-based UC&C contracts generally include a standard assurance-type warranty.

(t) Cost of Revenues

Cost of revenues mainly consists of payroll and related costs for employees, communication service expense associated with the use of facilities and equipment by these employees, such as rental and depreciation expenses, communication service expense charges to telecom operators or its distributors and cloud service fees to cloud service providers.

(u) Research and Development Expenses

Research and development expenses mainly consist of payroll and related costs for employees involved in researching in the field of cloud communication, and outsourced design expenses as well as expenses associated with the use by these functions of facilities and equipment, such as rental and depreciation expenses. Research and development expenses are expensed as incurred in accordance with ASC 730 amounted to RMB326,513 RMB222,538 and RMB177,000 for the years ended December 31, 2022, 2023 and 2024, respectively.

(v) Selling and Marketing Expenses

Selling and marketing expenses mainly consist of advertising expenses, promotion expenses, payroll and related expenses for personnel engaged in selling and marketing activities and expenses associated with the use by these functions of facilities and equipment, such as rental and depreciation expenses. Advertising expenses are expensed when incurred and are included in selling expenses in the consolidated statements of comprehensive loss. For the years ended December 31, 2022, 2023 and 2024, the advertising expenses were RMB52,716, RMB42,885 and RMB39,154 respectively.

(w) General and Administrative Expenses

General and administrative expenses mainly consist of payroll and related costs for employees involved in general corporate functions, expenses associated with the use of facilities and equipment by these employees, such as rental and depreciation expenses, professional fees and other general corporate expenses.

(x) Share-based Compensation

The Group applied ASC 718, *Compensation-Stock Compensation* ("ASC 718"), to account for its employee share-based payments. Share-based awards granted to the founders and employees in the form of restricted shares are measured at the grant date fair value of the awards, and are recognized as compensation expense using the graded-vesting schedules over the requisite service period for each separately vesting portion (or tranche) of the award. The Group elects to recognize the effect of forfeitures in compensation cost when they occur. To the extent the required vesting conditions are not met resulting in the forfeiture of the share-based awards, previously recognized compensation expense relating to those awards is reversed.

Share-based compensation in relation to the restricted ordinary shares is measured based on the fair value of the Company's ordinary shares at the grant date of the award, which is estimated using the income approach and equity allocation method. Estimation of the fair value of the Company's ordinary shares involves significant assumptions that might not be observable in the market, and a number of complex and subjective variables, discount rate, risk-free interest rate and subjective judgments regarding the Company's projected financial and operating results, its unique business risks, the liquidity of its ordinary shares and its operating history and prospects at the time the grants are made. Share-based compensation in relation to the share options is estimated using the binominal option pricing model. The determination of the fair value of share options is affected by the fair value of the Company's ordinary shares as well as the assumptions regarding a number of complex and subjective variables, including the expected share price volatility, risk-free interest rate, exercise multiple and expected dividend yield. The fair value of these awards was determined by management with the assistance from a valuation report prepared by an independent valuation firm using management's estimates and assumptions.

A change in any of the terms or conditions of share-based awards is accounted for as a modification of the awards. The Company calculates incremental compensation cost of a modification as the excess of the fair value of the modified awards over the fair value of the original awards immediately before its terms are modified at the modification date. For vested awards, the Company recognizes incremental compensation cost in the period the modification occurs. For awards not being fully vested, the Company recognizes the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original awards over the remaining requisite service period after modification.

(y) Employee Benefits

The Company's subsidiaries and the VIE and VIE's subsidiaries in the PRC participate in a government mandated, multi-employers, defined contribution plan, pursuant to which certain retirement, medical, housing and other welfare benefits are provided to employees. PRC labor laws require the entities incorporated in the PRC to pay to the local labor bureau a monthly contribution calculated at a stated contribution rate on the monthly basic compensation of qualified employees. The Company also makes payments to other defined contribution plans and defined benefit plans for the benefit of employees employed by the subsidiary of Japan. The Group has no further commitments beyond its monthly contribution. Employee social benefits included as expenses in the accompanying consolidated statements of comprehensive loss amounted to RMB104,722, RMB86,198 and RMB65,998 for the years ended December 31, 2022, 2023 and 2024, respectively.

(z) Income Taxes

The Company follows the asset and liability method in according for income taxes in according to ASC topic 740 "Taxation" ("ASC 740"), Income Taxes, under this method, current income taxes are provided on the basis of income before income taxes for financial reporting purposes, and adjusted for income and expense items which are not assessable or deductible for income tax purposes, deferred income taxes are provided using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the tax effects of temporary differences and are determined by applying enacted statutory tax rates that will be in effect in the period in which the temporary differences are expected to reverse to the temporary differences between the financial statements' carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided to reduce the amount of deferred income tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred income tax assets will not be realized. The effect on deferred income taxes arising from a change in tax rates is recognized in the consolidated statements of comprehensive loss in the period of change.

The Company adopts ASC740 to account for uncertainty in income taxes. ASC740 clarifies a "more likely than not" recognition threshold in the evaluation of uncertain tax positions. The Group recognizes the benefit of a tax position in its consolidated financial statements if the tax position is "more likely than not" to prevail based on the facts and technical merits of the position. Tax positions that meet the "more likely than not" recognition threshold is measured at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. Unrecognized tax benefits may be affected by changes in interpretation of laws, rulings of tax authorities, tax audits, and expiry of statutory limitations. In addition, changes in facts, circumstances and new information may require the Group to adjust the recognition and measurement estimates with regard to individual tax positions. Accordingly, unrecognized tax benefits are periodically reviewed and re-assessed. Adjustments, if required, are recorded in the Group's consolidated financial statements in the period in which the change that necessities the adjustments occur. The ultimate outcome for a particular tax position may not be determined with certainty prior to the conclusion of a tax audit and, in certain circumstances, a tax appeal or litigation process. The Group records interest and penalties related to unrecognized tax benefits (if any) in interest expenses and general and administrative expenses, respectively. As of December 31, 2023 and 2024, the Group did not have any significant unrecognized uncertain tax positions.

(aa) Operating Leases

The Company adopted ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02") from January 1, 2022 by using the modified retrospective method and did not restate the comparable periods. The Company has elected the package of practical expedients, which allows the Company not to reassess (1) whether any expired or existing contracts as of the adoption date are contain a lease, (2) lease classification for any expired or existing leases as of the adoption date and (3) initial direct costs for any expired or existing leases as of the adoption date. The Company also elected the short-term lease exemption for all contracts with lease terms of 12 months or less.

The Company determines if an arrangement is a lease or contains a lease at lease inception. Leases are classified at the inception date as either as a finance lease or an operating lease. The Company classifies a lease as a finance lease when the lease meets any one of the following criteria at lease commencement:

a. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.

b. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

c. The lease term is for a major part of the remaining economic life of the underlying asset.

d. The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments equals or exceeds substantially all of the fair value of the underlying asset.

e. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the Company at the end of the lease term.

For operating leases, the Company recognizes an ROU asset and a lease liability based on the present value of the lease payments over the lease term on the consolidated balance sheets at commencement date. At lease commencement, operating lease ROU assets represent the right to use underlying assets for their respective lease terms and are recognized at amounts equal to the lease liabilities adjusted for any lease payments made prior to the lease commencement date, less any lease incentives received and any initial direct costs incurred by the Company.

After lease commencement, operating lease liabilities are measured at the present value of the remaining lease payments using the discount rate determined at lease commencement.

Operating lease ROU assets are measured at the amount of the lease liabilities and further adjusted for prepaid or accrued lease payments, the remaining balance of any lease incentives received, unamortized initial direct costs and impairment of the ROU assets, if any. Operating lease expense is recorded as a single cost on a straight-line basis over the lease term.

The Company's leases do not provide an implicit rate, the Company estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located.

(bb) Foreign Currency Translation and Foreign Currency Risks

The Company's reporting currency is RMB. The functional currency of the Company and its subsidiary incorporated at Hong Kong S.A.R. is the US$. The functional currency of the Company's subsidiary incorporated at Japan is JPY. The functional currency of the Company's PRC subsidiary, the VIE and the VIE's subsidiaries is RMB.

Transactions denominated in currencies other than the functional currency are remeasured into the functional currency at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in a foreign currency are remeasured into the functional currency using the applicable exchange rate at the balance sheet date. The resulted exchange differences are recorded as foreign currency exchange gains (losses), net in the consolidated statements of comprehensive loss.

The financial statements of the Company, its subsidiary incorporated at Hong Kong S.A.R. and its subsidiary incorporated at Japan are translated from the functional currency into RMB. Assets and liabilities are translated into RMB using the applicable exchange rates at the balance sheet date. Equity accounts other than earnings (deficits) generated in the current period are translated into RMB using the appropriate historical rates. Revenues, expenses, gains and losses are translated into RMB using the average exchange rates for the relevant period. The resulted foreign currency translation adjustments are recorded as a component of other comprehensive loss in the consolidated statements of comprehensive loss, and the accumulated foreign currency translation adjustments are recorded as a component of accumulated other comprehensive loss in the consolidated statements of changes in shareholders' deficit.

RMB is not a freely convertible currency. The PRC State Administration for Foreign Exchange, under the authority of the PRC government, controls the conversion of RMB to foreign currencies. The value of RMB is subject to changes of central government policies and international economic and political developments affecting supply and demand in the PRC foreign exchange trading system market.

(cc) Concentration and Risk

Concentration of customers and suppliers

No customers individually represent greater than 10.0% of total revenues of the Group during the years ended December 31, 2022, 2023 and 2024.

One supplier represents 11.1% of total purchases of the Group during the year ended December 31,2022. Two supplier represents 14.7% and 13.4% of total purchases of the Group during the year ended December 31, 2023, respectively. One supplier represents 19.6% of total purchases of the Group during the year ended December 31,2024.

Two customers represent 15.4% and 13.8% of total accounts receivable, net including related party amounts and contract assets of the Group as of December 31, 2023, respectively. One customer represents 16.6% of total accounts receivable, net including related party amounts and contract assets of the Group as of December 31, 2024.

Two suppliers represent 14.7% and 11.3% of total accounts payable of the Group as of December 31, 2023, respectively. Two suppliers represent 13.3% and 12.4% of total accounts payable of the Group as of December 31, 2024, respectively.

One customer represents 10.2% of total contract liabilities of the Group as of December 31, 2023. No customers individually represent greater than 10.0% of total contract liabilities of the Group as of December 31, 2024.

One supplier individually represents 21.0% of prepayments and other current assets excluding related party amounts of the Group as of December 31, 2023. Two suppliers represent 20.8% and 10.8% of prepayments and other current assets excluding related party amounts of the Group as of December 31, 2024, respectively.

Concentration of credit risk

Financial instruments that potentially expose the Group to concentrations of credit risk consist principally of cash, restricted cash, term deposits, short-term investments and accounts receivable. The total amount of these financial instruments was RMB1,494 million and RMB1,285 million as of December 31, 2023 and 2024.

The Group's investment policy requires cash, restricted cash, term deposits and short-term investments to be placed with high-quality financial institutions and to limit the amount of credit risk from any one issuer. The Group regularly evaluates the credit standing of the counterparties or financial institutions.

The Group conducts credit evaluations on its customers prior to delivery of goods or services. The assessment of customer creditworthiness is primarily based on historical collection records, research of publicly available information and customer on-site visits by senior management. Based on this analysis, the Group determines what credit terms, if any, to offer to each customer individually. If the assessment indicates a likelihood of collection risk, the Company will not deliver the services or sell the products to the customer or require the customer to pay cash, post letters of credit to secure payment or to make significant down payments.

Interest rate risk

The Group's short-term bank borrowings bears interests at fixed rates. If the Group were to renew these loans, the Group might be subject to interest rate risk.

(dd) Loss per Share

In accordance with ASC 260, *Earnings per Share,* basic income (loss) per share is computed by dividing net income (loss) attributable to ordinary shareholders by the weighted average number of ordinary shares and participating securities during the period, considering the accretions to redemption value of the preferred shares, by the weighted average number of ordinary shares outstanding during the year using the two-class method. Under the two-class method, any net income is allocated between ordinary shares and other participating securities based on their participating rights. A net loss is not allocated to participating securities when the participating securities does not have contractual obligation to share losses.

The Company's preferred shares and restricted ordinary shares are participating securities. The preferred shares are participating securities as they participate in undistributed earnings on an as-if-converted basis and the restricted ordinary shares are participating securities as the holders of the restricted ordinary shares have a non-forfeitable right to receive dividends with all ordinary shares. Neither the preferred shares nor the restricted ordinary shares has a contractual obligation to fund or otherwise absorb the Group's losses. Accordingly, any undistributed net income is allocated on a pro rata basis to the ordinary shares, preferred shares and restricted ordinary shares; whereas any undistributed net loss is allocated to ordinary shares only.

Unvested restricted ordinary shares are excluded from the weighted average number of ordinary shares outstanding because the restricted ordinary shareholders must return the restricted ordinary shares to the Company, if the specified condition are not met.

Diluted loss per share is calculated by dividing net loss attributable to ordinary shareholders, as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of shares issuable upon the conversion of the preferred shares and shares issuable upon the exercise of warrants, and ordinary shares issuable upon the vest of restricted ordinary shares or exercise of outstanding share option (using the treasury stock method). Ordinary equivalent shares are calculated based on the most advantageous conversion rate or exercise price from the standpoint of the security holder. Ordinary equivalent shares are not included in the denominator of the diluted loss per share calculation when inclusion of such shares would be anti-dilutive.

(ee) Segment Reporting

The Company's chief operating decision maker has been identified as the chief executive officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. For the purpose of internal reporting and management's operation review, the Company's chief executive officer and management personnel do not segregate the Group's business by product or service. All products and services are viewed as in one and the only operating segment.

(ff) Treasury Stock

The Company accounts for treasury stock using the cost method. Under this method, the cost incurred to purchase the stock is recorded in the treasury stock account on the consolidated balance sheets. At retirement of the treasury stock, the ordinary shares account is charged only for the aggregate par value of the shares. The excess of the acquisition cost of treasury stock over the aggregate par value is allocated between additional paid-in capital and retained earnings.

(gg) Statutory Reserves

In accordance with the PRC Company Laws, the Group's PRC subsidiary, VIE and VIE's subsidiaries must make appropriations from their after-tax profits as determined under the generally accepted accounting principles in the PRC ("PRC GAAP") to non-distributable reserve funds including statutory surplus fund and discretionary surplus fund. The appropriation to the statutory surplus fund must be 10% of the after-tax profits as determined under PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of the PRC companies. Appropriation to the discretionary surplus fund is made at the discretion of the PRC companies.

The statutory surplus fund and discretionary surplus fund are restricted for use. They may only be applied to offset losses or increase the registered capital of the respective companies. These reserves are not allowed to be transferred to the Company by way of cash dividends, loans or advances, nor can they be distributed except for liquidation.

During the years ended December 31, 2023 and 2024, no profit appropriation to statutory surplus fund for the Group's entities incorporated in the PRC. No appropriation to discretionary surplus fund was made for any of the periods presented by the Group's PRC subsidiary, VIE and VIE's subsidiaries.

(hh) Impact of newly adopted accounting pronouncement

In September 2022, the FASB issued ASU 2022-04, *Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*, which require a buyer in a supplier finance program disclose qualitative and quantitative information about the supplier finance program. The amendments do not affect the recognition, measurement, or financial statement presentation of obligations covered by supplier finance programs. The new guidance is required to be applied retrospectively to each period in which a balance sheet is presented, except for the amendment on rollforward information, which should be applied prospectively. This guidance is effective for the Company for the year ending December 31, 2024 and interim reporting periods during the year ending December 31, 2024. Early adoption is permitted. The Company adopted this guidance for the fiscal year ended December 31, 2024 with no material impact on the Company's consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The ASU expands public entities' segment disclosures by requiring disclosure of significant segment expenses that are regularly reviewed by the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items, and interim disclosures of a reportable segment's profit or loss and assets. The ASU also allows, in addition to the measure that is most consistent with U.S. GAAP, the disclosure of additional measures of segment profit or loss that are used by the CODM in assessing segment performance and deciding how to allocate resources. The ASU is effective for the Company's Annual Report on Form 20F for the fiscal year ended December 31, 2024, and subsequent interim periods, with early adoption permitted. The Company adopted this guidance for the fiscal year ended December 31, 2024 with no material impact on the Company's consolidated financial statements.

(ii) Recently issued accounting pronouncements not yet adopted

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. This guidance also requires certain disclosures for equity securities subject to contractual sale restrictions. The new guidance is required to be applied prospectively with any adjustments from the adoption of the amendments recognized in earnings and disclosed on the date of adoption. This guidance is effective for the Company for the year ending December 31, 2025 and interim reporting periods during the year ending December 31, 2025. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the group's consolidated financial statements.

In March 2023, the FASB issued ASU No. 2023-02, *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*, that is intended to improve the accounting and disclosures for investments in tax credit structures. This ASU allows reporting entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for all entities in any interim period. The adoption of ASU 2023-02 is not expected to have any impact on the Company's consolidated financial statements.

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*. This standard was issued in response to the SEC's disclosure update and simplification initiative, which affects a variety of topics within the Accounting Standards Codification. The amendments apply to all reporting entities within the scope of the affected topics unless otherwise indicated. The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The Company is currently evaluating the impact this guidance will have on its financial statement disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which improves income tax disclosures. The amendments require the disclosure of specific categories in the rate reconciliation and additional information for reconciling items that meet a quantitative threshold. The amendments also require disaggregated information about the amount of income taxes paid (net of refunds received), Income (or loss) from continuing operations before income tax expense (or benefit) and Income tax expense (or benefit) from continuing operations. The new guidance is required to be applied either prospectively or retrospectively. This guidance is effective for the Company for the year ending March 31, 2026. Early adoption is permitted. The Company is evaluating the impact of the adoption of this guidance.

In March 2024, the Securities and Exchange Commission issued *The Enhancement and Standardization of Climate - Related Disclosures for Investors,* which requires entities to provide information of certain climate - related information. This update will be effective for the Company's fiscal years beginning in 2027. The Company is currently in the process of evaluating the disclosure impact.

In November 2024, the FASB issued ASU2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. The standard will require additional disclosure of the nature of expenses included in the income statement in response to longstanding requests from investors for more information about an entity's expenses. The new standard requires disclosures about specific types of expenses included in the expense captions presented on the face of the income statement as well as disclosures about selling expenses. ASU2024-03 applies to all public business entities and is effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods within annual reporting periods beginning after December 15, 2027. The requirements will be applied prospectively with the option for retrospective application. Early adoption is permitted. We are evaluating this standard to determine if adoption will have a material impact on our consolidated financial statements.

3. BUSINESS ACQUISITION

The Company accounted for its acquisition in accordance with ASC 805, "Business Combination" ("ASC 805"). The result of the acquiree's operation has been included in the consolidated financial statements since the acquisition date. The excess of the fair value of the consideration transferred over the fair value of net tangible and intangible assets acquired was recorded as goodwill, which is not deductible for corporate income taxation purposes.

a) Acquisition of EliteCRM

On March 10, 2021, the Company entered into a definitive agreement to acquire all the equity interests of EliteCRM in exchange for RMB180 million consideration in cash. EliteCRM was a customer relationship management software provider, and the Group expected to generate synergy with the Cloud-based CC service line after the closing of acquisition. The Group obtained the control of EliteCRM business on March 22, 2021, and paid off the cash consideration for the year ended December 31, 2021.

The acquisition was recorded as a business combination. The Group determined the fair values of assets acquired and liabilities assumed for this acquisition with assistance of an independent appraiser. The goodwill resulting from the acquisition is primarily attributable to the assembled workforce and established network of customers around China. The acquired goodwill is not deductible for tax purposes. A summary of identifiable assets acquired and liabilities assumed in connection with the acquisition is as follows:

Purchase consideration:	**RMB**
cash	180,000

Recognized amounts of identifiable assets acquired and liabilities assumed:	**March 22,2021**
Cash	3,986
Accounts receivable	6,455
Prepaid expenses and other current assets	765
Property and equipment, net	4,944
Intangible assets	
Trademark	4,632
Non-compete arrangements	85
Customer relationship	15,000
Technology	4,588
Accounts payable	(5,215)
Contract liabilities	(568)
Accrued expenses and other current liabilities	(8)
Deferred income tax liability	(1,665)
Total identifiable assets acquired and liabilities assumed	32,999
Goodwill	147,001

The intangible assets consist of trademark, non-compete arrangements, customer relationship and Technology. The fair values of trademark of RMB4,632, non-competition arrangements of RMB85, customer relationship of RMB15,000 and Technology of RMB 4,588 are amortized over 8 years, 2 years, 10 years and 6 years, respectively on a straight-line basis.

Intangible assets and goodwill arising from the above acquisition was subjected to annual impairment assessment, and impairment loss of RMB8,691, nil and nil from intangible assets, and impairment loss of RMB10,107, nil and nil from goodwill was recorded for the year ended December 31 2022, 2023 and 2024, respectively (refer to Note 10, and 11).

b) Acquisition of Zhuge Inc.

On December 8, 2021, the Company entered into a share purchase agreement with all of the selling shareholders of Zhuge Inc. to acquire 100% equity interests of Zhuge Inc. in exchange for RMB93.5 million consideration in cash and 30,463 ordinary shares of the Company. Zhuge Inc. mainly provided professional data intelligence solutions, and the Group expected to generate synergy with the Cloud-based CC service line after the closing of acquisition. The Group obtained the control of Zhuge Inc. on December 22, 2021 and paid off the cash consideration of RMB93.5 million as of December 31, 2023.

The acquisition was recorded as a business combination. The Group determined the fair values of assets acquired and liabilities assumed for this acquisition with assistance of an independent appraiser. The goodwill resulting from the acquisition is primarily attributable to the assembled workforce and established network of customers around China. The acquired goodwill is not deductible for tax purposes. A summary of identifiable assets acquired and liabilities assumed in connection with the acquisition is as follows:

Purchase consideration:	**RMB**
cash	93,511
Fair value of 30,463 ordinary shares	300
	93,811

Recognized amounts of identifiable assets acquired and liabilities assumed:	**December 31, 2021**
Cash	6,551
Accounts receivable	815
Prepaid expenses and other current assets	635
Property and equipment, net	19
Intangible assets	
Trademark	2,840
Non-compete arrangements	720
Order backlogs	8,560
Customer relationship	-
Technology	6,400
Short-term loan	(5,500)
Accounts payable	(1,220)
Contract liabilities	(4,129)
Accrued expenses and other current liabilities	(12,780)
Deferred income tax liability	(4,630)
Long-term borrowings	(9,144)
Total identifiable assets acquired and liabilities assumed	(10,863)
Goodwill	104,674

The intangible assets consist of trademark, non-compete arrangements, order backlogs, customer relationship and Technology. The fair values of trademark of RMB2,840, non-competition arrangements of RM720, order backlogs of RMB8,560, and Technology of RMB6,400 are amortized over 10 years, 4 years, 4 years and 7 years, respectively on a straight-line basis.

Intangible assets and goodwill arising from the above acquisition was subjected to the annual impairment assessment, and impairment loss of RMB15,002 and RMB57,271 from intangible assets and goodwill was recorded for the year ended December 2022, respectively (refer to Note 10, and 11).

The acquisition above did not have a material impact on the Group's consolidated financial statements, and, therefore, pro forma disclosures have not been presented.

c) Acquisition of Molun SCRM

On January 26, 2022, the Company entered into a definitive agreement to acquire all the equity interests of Molun SCRM business with the cash consideration of RMB31.8 million, which was the private domain social customer relationship management ("SCRM") software provider targeting car OEMs and dealers. The Group expected to generate synergy with the Cloud-based CC service line after the closing of acquisition. The Group obtained the control of Molun SCRM business in March, 2022 and paid off the cash consideration of RMB31.8 million as of December 31, 2022.

The transaction was accounted for under the acquisition method of accounting in accordance with ASC Topic 805. The acquisition was recorded as a business combination. The Group determined the fair values of assets acquired and liabilities assumed for this acquisition with assistance of an independent appraiser. The goodwill resulting from the acquisition is primarily attributable to the assembled workforce and established network of customers around China. The acquired goodwill is not deductible for tax purposes. A summary of identifiable assets acquired and liabilities assumed in connection with the acquisition is as follows:

Purchase consideration:	**RMB**
cash	31,800

Recognized amounts of identifiable assets acquired and liabilities assumed:	**March,2022**
Prepaid expenses and other current assets	150
Intangible assets	
Order backlogs	100
Trademark	1,000
Technology	3,730
Contract liabilities	(12,002)
Deferred income tax liability	(1,207)
Total identifiable assets acquired and liabilities assumed	**(8,229)**
Goodwill	40,029

The intangible assets consist of non-compete arrangements, customer relationship and Technology. The fair values of order backlogs of RMB100, trademark of RMB1,000 and Technology of RMB3,730 are amortized over 1 year, 10 years and 9 years, respectively on a straight-line basis.

Intangible assets and goodwill arising from the above acquisition was subjected to the annual impairment assessment, and impairment loss of RMB4,318 and RMB40,029 from intangible assets and goodwill was recorded for the year ended December 31, 2022, respectively (refer to Note 10, and 11).

The acquisition above did not have a material impact on the Group's consolidated financial statements, and, therefore, pro forma disclosures have not been presented.

4. CASH AND RESTRICTED CASH

A reconciliation of cash and restricted cash in the consolidated balance sheets to the amounts in the consolidated statement of cash flows is as follows:

	December 31,	
	2023	2024
	RMB	RMB
Cash	377,947	640,119
Restricted cash	4,502	10,396
Total cash and restricted cash shown in the consolidated statements of cash flows	**382,449**	**650,515**

The balances of restricted cash were mainly related to bank deposits for performance guarantee, which were restricted for use as of December 31, 2023 and 2024, and will be released from restriction within the next 12 months.

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following:

	December 31,	
	2023	2024
	RMB	RMB
Accounts receivable - third parties	242,944	204,502
Allowance for credit loss - third parties	(99,523)	(84,128)
Accounts receivable - third parties, net	**143,421**	**120,374**
Accounts receivable – related parties	828	663
Allowance for credit loss – related parties	(124)	(274)
Accounts receivable – related parties	**704**	**389**

The movement of the allowance for credit loss including both account receivables due from third parties and a related party is as follows:

	Year ended December 31,	
Allowance for credit loss - third parties	2023	2024
	RMB	RMB
Balance at the beginning of the year	**81,242**	**99,523**
Additions charged to credit loss	18,281	(15,395)
Write-off	-	-
Balance at the end of the year	**99,523**	**84,128**

	Year ended December 31,	
Allowance for credit loss –related parties	2023	2024
	RMB	RMB
Balance at the beginning of the year	**5**	**124**
Additions charged to credit loss	119	150
Balance at the end of the year	**124**	**274**

The aging analysis table of allowance for credit loss is as follows:

	As of December 31,	
	2023	2024
	RMB	RMB
Within 1 year	(61,083)	(36,044)
Thereafter	(38,440)	(48,084)
Allowance for credit loss - third parties	**(99,523)**	**(84,128)**
Within 1 year	(124)	(274)
Allowance for credit loss - related parties	**(124)**	**(274)**

6. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as of December 31, 2023 and 2024 consisted of the following:

	December 31,	
	2023	2024
	RMB	RMB
Advance to suppliers	44,277	45,325
Deposits	13,452	11,951
Staff advances	967	848
Deductible input VAT	39,999	45,188
Receivables from third party payment platforms	1,594	550
Others	9,166	16,134
Prepayments and Other Current Assets	**109,455**	**119,996**

7. LONG-TERM INVESTMENTS

	For the year ended December 31,	
	2023	2024
	RMB	RMB
Equity method investments		
Shanghai Keshen Information Technology Co., Ltd.	13,165	13,168
Beijing Lingshang Chunding Technology Co., Ltd.	-	-
Total equity method investments	**13,165**	**13,168**
Other equity investments		
Shanghai Yuhuan Information System Co.Ltd.	18,784	18,784
Beijing Hujingtiaoyue Technology Co., Ltd.	11,000	11,000
Xinyu Hongling Investment Management Center (limited Partnership)	11,100	11,100
Total other equity investments	**40,884**	**40,884**
Total long-term investments	**54,049**	**54,052**

(a) Equity method investments

Investments in Shanghai Keshen

In November 2021, Ronglian Yitong aquired 20% equity interest of Shanghai Keshen Information Technology Co., Ltd. ("Shanghai Keshen"), which is principally engaged in technology development, technology transfer, technical consultation and technical services, at a cash consideration of RMB15 million. Ronglian Yitong has the right to appoint one out of three directors for the year ended December 31, 2021. The investments are accounted for under the equity method as Ronglian Yitong is able to exercise significant influence through its board representation. Ronglian Yitong recognized its share of loss of RMB1,969, RMB981 and share of gain of RMB3 for the year ended December 31, 2022, 2023 and 2024. The Company performed an impairment analysis in 2022, 2023 and 2024, and no impairment loss was recognized related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

Investments in Beijing Lingshang

In January 2023, Ronglian Yitong aquired 20% equity interest of Beijing Lingshang Chunding Technology Co., Ltd. ("Beijing Lingshang"), which is principally engaged in intelligent voice product development, technology transfer, technical consultation and technical services, at a cash consideration of RMB5 million. Ronglian Yitong has the right to appoint one out of three directors for the year ended December 31, 2023. The investments are accounted for under the equity method as Ronglian Yitong is able to exercise significant influence through its board representation. Ronglian Yitong recognized its share of loss RMB489 for the year ended December 31, 2023. The Company performed an impairment analysis in 2023, and recognized RMB4,511 impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

(b) Other equity investments

Investments in Hujingtiaoyue

In September 2017, Ronglian Yitong entered into a share purchase agreement to acquire 6.56% equity interest of Beijing Hujingtiaoyue Technology Co., Ltd. ("Hujingtiaoyue"), which is principally engaged in provision of artificial intelligence marketing solutions, at a cash consideration of RMB4,000. According to the shares purchase agreement, Ronglian Yitong, together with another shareholder, has the right to appoint one director. The Group accounts for its investment in Hujingtiaoyue as other equity investments since its investment is not in-substance common stock due to the liquidation preference feature, and does not have readily determinable fair value. The Group elected to measure other equity investments without a readily determinable fair value at cost adjusted for changes resulting from impairments, if any, and observable price changes in orderly transactions for the identical or similar securities of the same issuer.

In June 2018, Hujingtiaoyue entered into new financing agreements with new investors. After Hujingtiaoyue's new financing, Ronglian Yitong's equity interest in Hujingtiaoyue decreased to 5.45% and Ronglian Yitong, together with another shareholder, remains the right to appoint one director. The new financing provided an observable price for Ronglian Yitong's investment in Hujingtiaoyue and Ronglian Yitong evaluated the investment's carrying amount based on the observable price and recognized a gain of RMB100 from the change in fair value.

In May 2019, Hujingtiaoyue entered into new financing agreements with new investors. After Hujingtiaoyue's new financing, Ronglian Yitong's equity interest in Hujingtiaoyue further decreased to 4.29% and Ronglian Yitong, together with another shareholder, remains the right to appoint one director. The new financing provided an observable price for Ronglian Yitong's investments in Hujingtiaoyue and Ronglian Yitong evaluated this investment's carrying amount based on the observable price, and recognized a gain of RMB900 from the change in fair value.

In May 2021, Hujingtiaoyue conducted reorganization and setup Beijing Tanma Qifu Technolory Co., Ltd.("Beijing Tanma"), a new VIE. All shareholders of Hujingtiaoyue were transferred to Beijing Tanma, on a pro rate basis. Ronglian Yitong owned 4.29% equity interest in Beijing Tanma.

In October 2021 and December 2021, Beijing Tanma entered into new financing agreements with new investors. After Beijing Tanma's new financing, Ronglian Yitong's equity interest in Beijing Tanma further decreased to 2.45%. Since May 2021, Ronglian Yitong had no right to appoint any director due to reduction of equity interest. The new financing provided an observable price for Ronglian Yitong's investments in Hujingtiaoyue and Ronglian Yitong evaluated the investment's carrying amount based on the observable price, and recognized a gain of RMB8,000 from the change in fair value.

The new financing agreement with new investors provided the observable price for other equity investment and the fair value adjustment was determined primarily based on the market approach as of the transaction date, which takes into consideration a number of factors including recent financing pricing which shall be adjusted as similar securities to reflect difference in the rights and obligations between the equity security that was transacted and the equity security held by the Company, and discount rates from traded companies in the industry and requires the Company to make certain assumptions and estimates regarding industry factors. Specifically, some of the significant unobservable inputs
included discount of lack of marketability. The assumptions are inherently uncertain and subjective. Changes in any unobservable inputs may have a significant impact on the fair values.

In December 2022, 2023 and 2024, The Company performed impairment analysis, and recognized RMB2,000, nil and nil impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

Investments in Xinyu Hongling

In August 2021, Ronglian Yitong and other third party entities set up a limited partnership, Xinyu Hongling Investment Management Center (limited partnership) ("Xinyu Hongling"), which is mainly engaged in investment management and asset management, with a subscribed capital of RMB150 million. Xinyu Hongling's fund is used to invest in Xicheng Zhiyuan Digital Power Selection (Beijing) Investment Center (Limited Partnership) ("Xicheng Zhiyuan"), with a target subscription amount of RMB751 million. The subscribed capital contribution of Ronglian Yitong is RMB20,000, accounting for 13.33% and 2.66% of the registered capital of Xinyu Hongling and Xicheng Zhiyuan. According to the investment agreement, Ronglian Yitong does not have the right to appoint any directors. The Group accounts for its investment in Xinyu Hongling as other equity investments since its investment is not in-substance common stock due to the liquidation preference feature, and does not have readily determinable fair value. The Group elected to measure other equity investments without a readily determinable fair value at cost adjusted for changes resulting from impairments, if any, and observable price changes in orderly transactions for the identical or similar securities of the same issuer.

In December 2022, 2023 and 2024, the Company performed an impairment analysis, and recognized RMB5,400 and RMB3,500 and nil impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

Investments in Shanghai Yuhuan

The Company performed impairment analysis for Shanghai Yuhuan Information System Co., Ltd. ("ShanghaiYuhuan") in 2022, 2023 and 2024, and recognized nil impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value. To estimate the fair value of investment in Shanghai Yuhuan, the Company used discounted cash flow model ("DCF Model"), which is based on the fair value of the entire invested capital of Shanghai Yuhuan using an income approach. The significant inputs for the valuation model include, but not limited to, future cash flows, discount rate, and the comparable selection set of companies operating in similar businesses.

8. PROPERTY AND EQUIPMENT, NET

Property and equipment as of December 31, 2023 and 2024 consisted of the following:

	December 31,	
	2023	2024
	RMB	RMB
Computer and office equipment	22,045	22,836
Furniture and fixtures	2,855	2,661
Motor vehicles	938	938
Leasehold improvement	3,431	5,448
Buildings	4,702	4,702
Property and Equipment	33,971	36,585
Less: Accumulated depreciation	23,586	28,412
Property and Equipment, net	10,385	8,173

Depreciation expenses were RMB5,304, RMB5,383 and RMB4,992 for the years ended December 31, 2022, 2023 and 2024, respectively.

Depreciation expenses on property and equipment were allocated to the following expense items:

	Year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Cost of revenues	22	279	106
Research and development expenses	1,403	2,019	1,787
Selling and marketing expenses	2,158	1,299	1,712
General and administrative expenses	1,721	1,786	1,387
Total depreciation expenses	**5,304**	**5,383**	**4,992**

9. Lease

The Group has entered into various non-cancellable operating lease agreements for certain offices. The Group determines if an arrangement is a lease, or contains a lease, at inception and record the leases in the financial statements upon lease commencement, which is the date when the underlying asset is made available for use by the lessor.

The balances for the operating and finance leases where the Group is the lessee are presented as follows within the consolidated balance sheet:

	For the year ended December 31,		
Operating leases:	2023	2024	
Assets:	RMB(000)	RMB(000)	US$(000)
Right-of-use assets - operating lease	13,992	10,800	1,480
Liability:			
Current portion of operating lease liabilities	10,300	5,843	801
Non-current operating lease liabilities	2,164	4,731	648
Total operating lease liabilities	**12,464**	**10,574**	**1,449**

The components of lease expenses were as follows:

	For the year ended December 31,		
	2023	2024	
Lease Cost	**RMB(000)**	**RMB(000)**	**US$(000)**
Amortization of right-of-use assets	14,437	9,769	1,338
Interest of operating lease liabilities	3,210	2,719	373
Expenses for short-term leases within 12 months and other non-lease component	2,022	1,281	175
Total lease cost	**19,669**	**13,769**	**1,886**

As of December 31, 2023 and 2024, the weighted average remaining lease term was 1.28 and 2.32 years and weighted average discount rate was 5.49% and 5.93% for the Company's operating leases.

For the year ended December 31, 2022, 2023 and 2024, the Company recognized lease expense of RMB26,954, RMB19,669 and RMB13,769, respectively, under ASC 840.

Supplemental cash flow information related to leases where we are the lessee is as follows:

	For the year ended December 31,		
	2023	2024	
	RMB(000)	**RMB(000)**	**US$(000)**
Cash payments for operating leases	20,582	14,331	1,963
ROU assets obtained in exchange for operating lease liabilities	7,825	11,634	1,594

As of Dec 31, 2024, the maturities of our operating are as follows:

	Operating Lease	
Year ending December 31.	**RMB(000)**	**US$(000)**
2025	7,849	1,075
2026	4,219	578
2027	1,321	181
Total future lease payments	**13,389**	**1,834**
Less: Imputed interest	2,815	385
Total lease liability balance	**10,574**	**1,449**

As of Dec 31, 2023, the maturities of our operating are as follows:

	Operating Lease	
Year ending December 31.	**RMB**	**US$**
2024	11,255	1,585
2025	2,320	327
Total future lease payments	**13,575**	**1,912**
Less: Imputed interest	1,111	156
Total lease liability balance	**12,464**	**1,756**

10. INTANGIBLE ASSETS, NET

The following table summarizes the Company's intangible assets, as of December 31, 2023 and 2024.

	December 31, 2023				
	Gross carrying amount	**Accumulated amortization**	**Accumulated impairment**	**Net carrying amount**	**Weighted average amortization Period**
	RMB	**RMB**	**RMB**	**RMB**	**Years**
Software copyrights	16,860	(11,627)	-	5,233	7.2
Telecommunication business operation licenses	2,882	(2,819)	-	63	4.0
Technology	14,865	(3,027)	(10,474)	1,364	7.2
Non-compete arrangements	805	(260)	(545)	-	3.8
Customer relationship	15,000	(3,448)	(5,586)	5,966	10.0
Trademark	8,472	(1,698)	(5,106)	1,668	8.9
Order backlogs	8,660	(2,223)	(6,437)	-	7.2
Total	**67,544**	**(25,102)**	**(28,148)**	**14,294**	

	December 31, 2024				
	Gross carrying amount	**Accumulated amortization**	**Accumulated impairment**	**Net carrying amount**	**Weighted average amortization Period**
	RMB	**RMB**	**RMB**	**RMB**	**Years**
Software copyrights	16,816	(12,687)	-	4,129	7.0
Telecommunication business operation licenses	2,882	(2,839)	-	43	4.0
Technology	14,865	(3,447)	(10,474)	944	7.0
Non-compete arrangements	805	(260)	(545)	-	4.0
Customer relationship	15,000	(4,271)	(5,586)	5,143	10.0
Trademark	8,472	(2,016)	(5,106)	1,350	9.0
Order backlogs	8,660	(2,223)	(6,437)	-	4.0
Total	**67,500**	**(27,743)**	**(28,148)**	**11,609**	

Amortization expenses for intangible assets were RMB8,589, RMB3,392 and RMB2,641 for the years ended December 31, 2022, 2023 and 2024, respectively.

The estimated amortization expense for the next five years is as follows:

	RMB
2025	1,610
2026	1,606
2027	1,292
2028	1,188
2029	950
Then thereafter	4,963

11. GOODWILL

The change in the carrying amount of goodwill by reporting unit is as follows:

	Acquisition of			
	Guohebing	Zhuge Inc.	Molun SAAS	Total
	RMB	RMB	RMB	RMB
Balance as of December 31, 2021	**64,534**	**57,271**	**-**	**121,805**
Additions	-	-	40,029	40,029
Impairment	(10,107)	(57,271)	(40,029)	(107,407)
Balance as of December 31, 2022	**54,427**	**-**	**-**	**54,427**
Additions	-	-	-	-
Impairment	-	-	-	-
Balance as of December 31, 2023	**54,427**	**-**	**-**	**54,427**
Additions	-	-	-	-
Impairment	-	-	-	-
Balance as of December 31, 2024	**54,427**	**-**	**-**	**54,427**

In the annual goodwill impairment assessment, the Company concluded that the carrying amounts of these reporting units exceeded their respective fair values and recorded impairment losses of RMB107.4 million, nil and nil during the years ended December 31, 2022, 2023 and 2024, respectively. The fair value of these reporting units was determined using the market value approach.

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31,	
	2023	2024
	RMB	RMB
Accrued payroll and social insurance	53,679	42,547
Taxes payable	29,666	32,383
Deposits of BNY MELLON	33,078	19,016
Deposits	406	218
Staff reimbursements	5,727	4,915
Other payables	1,984	1,930
Accrued expenses and other current liabilities	**124,540**	**101,009**

13. SHARE-BASED COMPENSATION

Restricted ordinary shares

On August 28, 2019, 8,154,893 ordinary shares held by Cloopen Co., Ltd., which is wholly owned by Mr. Sun Changxun, became restricted with a graded vesting as to 1/3 of the restricted ordinary shares vest on the first anniversary of August 28, 2019 and with the remaining 2/3 of the restricted ordinary shares vesting evenly over the next two years. Such restricted shares are also subject to immediate vesting upon the Company's completion of a qualified IPO. The fair value of the shares of US$9,827 are amortized to consolidated statements of comprehensive loss over the vesting term of three years.

In January 2021, the Company adopted a second share option Plan ("2021 Share Plan"), under which the maximum aggregate number of Class A ordinary shares that may be issued pursuant to all awards under such plan is 15,144,221. The ordinary shares became restricted with a vesting schedule of four years. Under the 2021 Share Plan, 5,898,500 ordinary shares were granted to employees for the year 2021.

In March 2021, the Company offered certain management members of EliteCRM 2,411,177 ordinary shares, which become restricted with a graded vesting as to 1/2 of the restricted ordinary shares vest on the first anniversary of March 22, 2022 and with the remaining 1/2 of the restricted ordinary shares vesting on March 22, 2023. The fair value of the shares of US$23,883 are amortized to consolidated statements of comprehensive loss over the vesting term of two years.

A summary of the Company's restricted ordinary shares held by the Company's employees for the years ended December 31, 2023 and 2024 is presented below:

	Number of shares	Weighted average grant date fair value
Unvested as of January 1, 2023	**4,976,485**	**3.20**
Granted	860,000	0.29
Vested	(2,001,838)	1.07
Forfeited	(1,031,670)	1.04
Unvested as of December 31, 2023	**2,802,977**	**4.62**
Granted	6,430,000	0.54
Vested	(906,732)	0.89
Forfeited	(87,225)	1.76
Unvested as of December 31, 2024	**8,239,020**	**1.88**

Total compensation expenses recognized for restricted ordinary shares for the years ended December 31, 2022, 2023 and 2024 were allocated to the following expense items:

	Year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Research and development expenses	(5,158)	654	(545)
General and administrative expenses	59,133	10,868	1,828
Selling and marketing expenses	1,275	1,851	10,968
Total restricted ordinary shares compensation expenses	**55,250**	**13,373**	**12,251**

In addition to the restricted ordinary shares held by the Company's employees, 1,700,000 ordinary shares were held by a non-employee founder, which were restricted and have been vested immediately upon the completion of the Company's initial public offering on February 9, 2021. The fair value of 1,700,000 restricted ordinary shares on grant date is US$111.

As of December 31, 2024, total unrecognized compensation expense related to restricted ordinary shares were RMB21,006 until 2028. The restricted ordinary shares are expected to be recognized over a weighted average period of approximately 3.35 years.

Shares Options

In January 2017, the Company's shareholders and board of directors approved a share option Plan ("2016 Share Plan''), under which a maximum aggregate number of 21,119,408 ordinary shares may be issued pursuant to all awards to be granted. In September 2018, the Company's shareholders and board of directors approved that the maximum aggregate number of ordinary shares may be issued under 2016 Share Plan shall be modified to 25,838,502 pre-offering Class A Ordinary Shares. In March 2020 and July 2020, the Company's shareholders and board of directors approved that the maximum aggregate number of ordinary shares may be issued under 2016 Share Plan shall be modified to 26,419,211 and 29,525,465 pre-offering Class A Ordinary Shares, respectively.

In addition, the options may be exercised with respect to 25% to 50% of the shares subject to the options as of the first anniversary of the vesting commencement date with the remaining shares subject to the options shall become vested in equal monthly installments over a period of 12-36 months thereafter. Share options were granted with exercise prices ranging from US$0.01 to US$0.38 and will expire 10 years from the grant dates.

Under the 2016 Share Plan, nil and 1,000,000 share options were granted to employees, officers, and board members for the years ended December 31, 2023 and 2024, respectively. A summary of the share options activities for the years ended December 31, 2023 and 2024 is presented below:

	Number of shares	Weighted average exercise price	Weighted remaining contractual years	Aggregate intrinsic value
		US$		US$
Outstanding as of January 1, 2023	**17,595,037**	**0.24**		
Forfeited	(721,728)	0.15		
Exercised	(3,731,723)	0.17		
Outstanding as of December 31, 2023	**13,141,586**	**0.26**		
Granted	1,000,000	0.38		
Forfeited	(736,690)	0.15		
Exercised	(1,018,889)	0.19		1,463
Outstanding as of December 31, 2024	**12,386,007**	**0.28**		
Vested and expected to vest as of December 31, 2024	**12,386,007**	**0.28**	**3.39**	**24,278**
Exercisable as of December 31, 2024	**11,499,929**	**0.25**	**2.33**	**24,016**

The fair values of the options granted are estimated on the dates of grant using the binomial option pricing model with the following assumptions used:

	Year ended December 31,
Grant dates:	**2024**
Risk free rate of return	2.5%
Volatility	45.0%
Expected dividend yield	0%
Exercise multiple	2.20
Fair value of underlying ordinary share	US$0.30- US$0.52
Expiration terms	10 years

The expected volatility was estimated based on the historical volatility of comparable peer public companies with a time horizon close to the expected term of the Company's options. The risk-free interest rate was estimated based on the yield to maturity of U.S. treasury bonds denominated in US$ for a term consistent with the expected term of the Company's options in effect at the option valuation date. Expected dividend yield is zero as the Company does not anticipate any dividend payments in the foreseeable future. The expected exercise multiple was estimated as the average ratio of the stock price to the exercise price of when employees would decide to voluntarily exercise their vested options. As the Company did not have sufficient information of past employee exercise history, it has considered the statistics on exercise patterns of employees compiled by Huddart and Lang in Huddart, S., and M. Lang. 1996. "Employee Stock Option Exercises: An Empirical Analysis." *Journal of Accounting and Economics*, vol. 21, no. 1 (February), pages 5-43, which are widely adopted by valuers as authoritative guidance on expected exercise multiples. Expected term is the contract life of the option.

Compensation expense recognized for share options during the years ended December 31,2022, 2023 and 2024 is allocated to the following expense items:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB	**RMB**	**RMB**
Cost of revenues	(621)	3	-
Research and development expenses	(795)	1,006	55
Selling and marketing expenses	(765)	6,068	345
General and administrative expenses	54,393	1,788	1,653
Total share option compensation expenses	**52,212**	**8,865**	**2,053**

As of December 31, 2024, RMB1,111 of total unrecognized compensation expense related to share options that are expected to be recognized until 2028. The share options are expected to be recognized over a weighted average period of approximately 2.84 years.

14. FAIR VALUE MEASUREMENT

The following tables present the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2022, 2023 and 2024 respectively:

	December 31, 2022			
RMB	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets				
Short-term investments	-	-	412,031	412,031

	December 31, 2023			
RMB	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets				
Short-term investments	-	-	422,559	422,559

	December 31, 2024			
RMB	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets				
Short-term investments	-	-	291,280	291,280

The table below reflects the reconciliation from the opening balances to the closing balances for recurring fair value measurements of the fair value hierarchy for the years ended December 31, 2022, 2023 and 2024:

				Year ended December 31, 2022			
				Gain or Losses			
RMB	January 1, 2022	Purchase/ Issue	Sell / Exercise	Included in earnings	Included in other comprehensive loss	Foreign currency translation adjustment included in other comprehensive loss	December 31, 2022
Assets							
Short term investments	127,514	357,142	70,306	-	-	(2,320)	412,031

				Year ended December 31, 2023			
				Gain or Losses			
RMB	January 1, 2023	Purchase/ Issue	Sell / Exercise	Included in earnings	Included in other comprehensive loss	Foreign currency translation adjustment included in other comprehensive loss	December 31, 2023
Assets							
Short term investments	412,031	28,187	24,663	563	-	6,441	422,559

				Year ended December 31, 2024			
				Gain or Losses			
RMB	January 1, 2024	Purchase/ Issue	Sell / Exercise	Included in earnings	Included in other comprehensive loss	Foreign currency translation adjustment included in other comprehensive loss	December 31, 2024
Assets							
Short term investments	422,559	222,036	357,825	11,859	-	(7,349)	291,280

15. INCOME TAX

a) Income tax

The Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

No stamp duty is payable in respect of the issue of the shares or on an instrument of transfer in respect of a share.

Hong Kong S.A.R.

Under the current Hong Kong S.A.R. Inland Revenue Ordinance, the Company's Hong Kong S.A.R. subsidiary is subject to Hong Kong S.A.R. profits tax at the rate of 16.5% on its taxable income generated from the operations in Hong Kong S.A.R. Payments of dividends by the Hong Kong S.A.R. subsidiary to the Company is not subject to withholding tax in Hong Kong S.A.R. A two-tiered profits tax rates regime was introduced in 2018 where the first HK$2 million of assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) whilst the remaining profits will continue to be taxed at 16.5%. There is an anti-fragmentation measure where each group will have to nominate only one company in the group to benefit from the progressive rates. No provision for Hong Kong profits tax has been made in the financial statements as the subsidiary in Hong Kong has no assessable profits for the years ended December 31, 2022, 2023 and 2024.

Japan

The Company's Japan subsidiary, Cloopen Japan Co., Ltd., is subject to Japanese corporation tax (including national corporation tax, local enterprise tax and other income-based taxes) on its worldwide income. The statutory effective tax rate is approximately 30% to 34%, depending on the size of the company.

Dividends paid by a Japanese company are generally subject to Japanese withholding tax. If the Japanese company paying dividends is a non-listed company and the payee is a non-resident of Japan, the rate of such withholding tax is 20.42% under Japanese Tax law. The Company enjoys preferential withholding tax rate of 10% under Japan-China tax treaty.

The PRC

The Group's PRC subsidiaries, the VIE, and the VIE's subsidiaries are subject to the PRC Corporate Income Tax Law ("CIT Law") and are taxed at the statutory income tax rate of 25%, unless otherwise specified.

In March 2007, a new enterprise income tax law (the "New EIT Law") in the PRC was enacted which became effective on January 1, 2008. The New EIT Law applies a unified 25% enterprise income tax ("EIT") rate to both foreign invested enterprises and domestic enterprises, unless a preferential EIT rate is otherwise stipulated. On April 14, 2008, relevant governmental regulatory authorities released further qualification criteria, application procedures and assessment processes for meeting the High and New Technology Enterprise ("HNTE") status under the New EIT Law which would entitle qualified and approved entities to a favorable EIT tax rate of 15%. In April 2009 and June 2017, the State Administration for Taxation ("SAT") issued Circular Guoshuihan (2009) No. 203 ("Circular 203") and SAT Announcement (2017) No. 24 ("Announcement 24") stipulating that the entities which qualified for the HNTE status should apply with in-charge tax authorities to enjoy the reduced EIT rate of 15% provided under the New EIT Law starting from the year when the new HNTE certificate becomes effective. The HNTE certificate is effective for a period of three years and can be renewed for another three years. Subsequently, an entity needs to re-apply for the HNTE status in order to be able to enjoy the preferential tax rate of 15%.

Ronglian 7Moor obtained the HNTE certificate in December 2016, and subsequently renewed the HNTE certificate in October 2019 and November 2022. Thus, Ronglian 7Moor is entitled to a preferential tax rate of 15% from 2016 to 2024.

Beijing Baiyi High-Tech Information Technology Co., Ltd., a subsidiary of the Company, obtained the HNTE certificate in October 2017, which expired in October 2020. In October 2020, Baiyi renewed its HNTE status which entitles it to the preferential income tax rate of 15% from 2020 to 2022. Due to business scope change, Baiyi has no plan to renew the HNTE certificates and could not entitle to the preferential tax rate of 15% after the HNTE certificate became void from January 1, 2023.

Beijing Yunrong Tianxia Technology Co., Ltd., a subsidiary of the Company, obtained the HNTE certificates in December 2017 and subsequently renewed the HNTE Certificate in October 2020 and October 2023. Thus, it was entitled to the preferential tax rate of 15% from 2017 to 2025.

Ronglian Yitong, a subsidiary of the Company, obtained the HNTE certificate in September 2015 and subsequently renewed the HNTE certificate in September 2018, December 2021 and December 2024. Thus, it was entitled to the preferential tax rate of 15% from 2015 to 2026.

Beijing Ronglian Huitong Technology Co., Ltd. and Shenzhen Zhongtian Wangjing Technology Co., Ltd., subsidiaries of the Company, obtained the HNTE certificates in December 2019. Thus, they are entitled to the preferential tax rate of 15% from 2019 to 2021. Beijing Ronglian Huitong Technology Co., Ltd., renewed its HNTE status in December 2021 and August 2023, and is entitled to a preferential tax rate of 15% from 2022 to 2024. In December 2022, Shenzhen Zhongtian Wangjing Technology Co., Ltd., renewed its HNTE status which entitled it to the preferential income tax rate of 15% from 2022 to 2024.

Zhuge Yunyou, a subsidiary of the Company, obtained the HNTE certificate in October 2021 and subsequently renewed the HNTE certificate in December 2024. Thus, it was entitled to the preferential tax rate of 15% from 2021 to 2026.

If any entities fail to maintain the HNTE qualification under the New EIT Law, they will no longer qualify for the preferential tax rate of 15%.

The CIT Law also provides that an enterprise established under the laws of a foreign country or region but whose “de facto management body” is located in the PRC be treated as a resident enterprise for the PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the CIT Law define the location of the “de facto management body” as “the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, property, etc., of a non-PRC company is located.” Based on a review of surrounding facts and circumstances, the Group does not believe that it is likely that its operations outside the PRC should be considered a resident enterprise for PRC tax purposes.

The components of loss before income taxes are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
The Cayman Islands*	(345,945)	(69,414)	(13,599)
Hong Kong S.A.R*	(34,946)	3,397	35,238
Japan*	(27,883)	(19,507)	(10,690)
The PRC, excluding Hong Kong S.A.R.	(567,467)	(327,414)	(158,092)
Total	**(976,241)**	**(412,938)**	**(147,143)**

* Non-PRC entities not subject to income tax

Withholding tax on undistributed dividends

The CIT law also imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise ("FIE") to its immediate holding company outside of Mainland China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within Mainland China or if the received dividends have no connection with the establishment or place of such immediate holding company within Mainland China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. The Cayman Islands, where the Company is incorporated, does not have such tax treaty with the PRC. According to the arrangement between Mainland China and Hong Kong S.A.R. on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in Mainland China to its immediate holding company in Hong Kong S.A.R. will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). The Group did not record any dividend withholding tax, as the Group's PRC entities, have no retained earnings in any of the years presented.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on interest income from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group applies a preferential withholding tax rate of 7% due to a tax treaty between Mainland China and the jurisdiction of the foreign investors.

Income tax expense recognized in the consolidated statements of comprehensive loss consists of the following:

	Year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Current income tax expense	8,464	(135)	74
Deferred income tax benefit	(8,806)	(429)	(390)
Total income tax benefit	**(342)**	**(564)**	**(316)**

Reconciliation of the differences between the income tax benefit computed based on the PRC statutory income tax rate and the Group's income tax expense for the years ended December 31, 2022, 2023 and 2024 are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Computed expected income tax benefit	**(244,060)**	**(103,234)**	(36,786)
Non-deductible expenses / taxable deemed income			
Share-based compensation	26,865	5,560	3,576
Non-deductible entertainment	1,240	1,264	802
Taxable deemed interest income from inter-company interest-free loans	2,659	1,828	1,633
Employee commercial Insurance	291	208	271
Effect of withholding tax at 7% on the interest income of a PRC subsidiary	2,121	-	-
Selling Commission	1,003	1,057	1,016
Others	109	167	97
Non-PRC entities not subject to income tax	66,530	16,571	1,044
Effect of income tax rate differences in jurisdictions other than the PRC	2,964	(282)	(345)
Over provision in respect of prior years	203	36	(65)
NOL expired	38,871	34,921	18,292
Amortization of intangible assets formed by business combinations	(8,806)	(429)	(390)
Others	1,701	(2,759)	(1,725)
Changes in valuation allowance	107,967	44,528	12,264
Actual income tax expense	**(342)**	**(564)**	**(316)**

b) Deferred income tax assets

	December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Net operating loss carry forwards	349,681	388,065	398,464
Un-invoiced expenditures	9,867	9,867	9,867
Accounts receivable and contract assets allowance	22,172	26,561	25,711
Other equity investments impairment	12,777	10,278	10,278
Goodwill impairment	55,534	55,534	55,534
Share of losses of equity method investments	641	980	979
Others	2,050	3,199	5,915
Less: Valuation allowance	(443,306)	(487,834)	(500,098)
Total deferred income tax assets, net	**9,416**	**6,650**	**6,650**
Intangible assets	(1,285)	(857)	(466)
Equity method investment on the gain from the disposal of a subsidiary	(2,766)	-	-
Change in fair value of other equity investments	(6,650)	(6,650)	(6,650)
Total gross deferred income tax liabilities	**(10,701)**	**(7,507)**	**(7,116)**
Net deferred income tax assets	**(1,285)**	**(857)**	**(466)**

As of December 31, 2024, the Group had net operating loss carry forwards of approximately RMB1,945 million attributable to the PRC and Hong Kong S.A.R. subsidiaries, the VIE, and the VIE's subsidiaries. The loss carried forward by the PRC companies will expire during the period from year 2025 to year 2034. As of December 31, 2024, the Group had tax loss carry forwards for PRC and Hong Kong S.A.R. income tax purpose of RMB 1,945,332 which will expire if unused by the following year-end:

Year ending December 31,	**RMB**
2025	49,758
2026	238,123
2027	207,161
2028	182,163
2029	219,983
Then thereafter	1,048,144
Total	**1,945,332**

A valuation allowance is provided against deferred income tax assets when the Group determines that it is more likely than not that the deferred income tax assets will not be utilized in the foreseeable future. In making such determination, the Group evaluates a variety of factors including the Group's operating history, accumulated deficit, existence of taxable temporary differences and reversal periods.

As of December 31, 2024, the valuation allowance of RMB 500,098 was related to the deferred income tax assets of the PRC and Hong Kong S.A.R. entities which were in loss position. As of December 31, 2024, management believes it is more likely than not that the Group will realize the deferred income tax assets, net of the valuation allowance.

Changes in valuation allowance are as follows:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB	**RMB**	**RMB**
Balance at the beginning of the year	(335,339)	(443,306)	(487,834)
Additions	(107,967)	(44,528)	(12,264)
Balance at the end of the year	**(443,306)**	**(487,834)**	**(500,098)**

According to the PRC Tax Administration and Collection Law, the statute of limitation is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitation is extended to five years under special circumstances where the underpayment of taxes is more than RMB100. In the case of transfer pricing issues, the statute of limitation is 10 years. There is no statute of limitation in the case of tax evasion. The income tax returns of the Company's PRC subsidiary, the VIE and the VIE's subsidiaries for the years from 2019 to 2024 are open to examination by the PRC tax authorities.

16. NET LOSS PER SHARE

The following table sets forth the basic and diluted net loss per ordinary share computation and provides a reconciliation of the numerator and denominator for the years presented:

	Year ended December 31,	
	2023	2024
	RMB	RMB
Numerator:		
Net loss	(409,722)	(142,757)
Numerator for basic and diluted net loss per ordinary share calculation	**(409,722)**	**(142,757)**
Denominator:		
Weighted average number of Class A and Class B ordinary shares	321,945,825	322,945,205
Denominator for basic and diluted net loss per ordinary share calculation	**321,945,825**	**322,945,205**
Net loss per ordinary share attributable to pre-offering Class A and pre-offering Class B ordinary shareholders		
—Basic and diluted	(1.27)	(0.44)

Securities that could potentially dilute basic net loss per ordinary share in the future that were not included in the computation of diluted net loss per ordinary share because to do so would have been antidilutive for the years ended December 31, 2023 and 2024 are as follow:

	Year ended December 31,	
	2023	2024
Share options	13,141,586	12,386,007
Restricted ordinary shares	2,802,977	8,239,020

17. REVENUE INFORMATION

Revenues

The Group's revenues are disaggregated by major products/services lines, timing of revenue recognition and primary geographical markets (based on the location of customers) as follow:

Major products/services lines	**Year ended December 31,**		
	2022	**2023**	**2024**
	RMB	**RMB**	**RMB**
CPaaS			
- Text messaging	119,416	136,654	132,242
- Voice calls	25,953	25,958	35,708
- Others (Note2)	46,796	32,799	21,457
Cloud-based CC	310,765	256,961	268,081
Cloud-based UC&C	89,350	117,554	116,078
Other services	1,354	1,098	-
Revenues	**593,634**	**571,024**	**573,566**

Note 1: The gross amount of revenue from services as an agent was RMB89 million, RMB69 million and RMB50 million for the years ended December 31, 2022, 2023 and 2024. The net amount of revenue from services as an agent was RMB14 million, RMB16 million and RMB15 million for the years ended December 31, 2022, 2023 and 2024 respectively.

Note 2: Others mainly include CPaaS revenue from the customers' use of the Group's Internet of Things (IoT) and jointly-operated CPaaS platforms.

Timing of revenue recognition	**Year ended December 31,**		
	2022	**2023**	**2024**
	RMB	**RMB**	**RMB**
Point in time	381,163	331,220	301,480
Over time	212,471	239,804	272,086
Revenues	**593,634**	**571,024**	**573,566**

Primary geographical markets (based on the location of customers)	**Year ended December 31,**		
	2022	**2023**	**2024**
	RMB	**RMB**	**RMB**
The PRC	556,663	539,867	543,774
Japan	36,971	31,157	29,792
Revenues	**593,634**	**571,024**	**573,566**

Revenue based on a gross basis/ net basis	**Year ended December 31,**		
	2022	**2023**	**2024**
	RMB	**RMB**	**RMB**
On a gross basis	579,629	555,409	558,926
On a net basis	14,005	15,615	14,640
Revenues	**593,634**	**571,024**	**573,566**

Contract Assets and Contract Liabilities

The Group's contract assets and contract liabilities as of December 31, 2022, 2023 and 2024 are as follows:

	December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Contract assets	50,838	26,107	27,752
Contract liabilities	359,801	363,228	306,112

The contract assets primarily relate to the Group's rights to consideration for work performed but not invoiced at the reporting date on Cloud-based UC&C projects and Cloud-based CC projects. The contract assets are transferred to receivables when the rights to consideration become unconditional.

The contract liabilities primarily related to the advanced consideration received from customers in relation to the subsequent provision of Cloud-based CC services and CPaaS solutions. The contract liabilities will be recognized as revenue when the Group fulfills its performance obligations to transfer the promised products or services to customers, which is expected to occur within one year.

Changes in the contract assets balances for the years ended December 31, 2022, 2023 and 2024 are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Gross amount at the beginning of the year	31,722	63,144	36,469
Increases due to revenue recognized during the year	50,825	27,787	44,616
Transfers to accounts receivable during the year	(19,403)	(54,462)	(31,601)
Gross amount at the end of the year	**63,144**	**36,469**	**49,484**
Allowance for credit loss of contract assets	(12,306)	(10,362)	(21,732)
Contract assets, net	**50,838**	**26,107**	**27,752**

The movement of the allowance for contract assets is as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Balance at the beginning of the year	10,604	12,306	10,362
Additions charged to credit loss	1,702	(1,944)	11,370
Balance at the end of the year	**12,306**	**10,362**	**21,732**

Changes in the contract liabilities balances for the years ended December 31, 2022, 2023 and 2024 are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Balance at the beginning of the year	285,936	359,801	363,228
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	(96,082)	(92,339)	(80,856)
Other operating income recognized that was included in the contract liabilities balance at the beginning of the year	-	-	(49,530)
Increase due to cash received, excluding amount recognized as revenue during the year	169,947	95,766	73,270
Balance at the end of the year	**359,801**	**363,228**	**306,112**

The amounts of revenue recognized for the years ended December 31, 2022, 2023 and 2024 that were included in the contract liabilities balances at the beginning of the year are RMB96,082, RMB92,339 and RMB80,856, respectively.

The Company has elected the practical expedient in ASC 606-10-50-14(a) to not disclose the information about remaining performance obligations which are part of contracts that have an original expected duration of one year or less.

18. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

From time to time, the Group is involved in claims and legal proceedings that arise in the ordinary course of business. The Group records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Based on currently available information, the Group has recorded accrued liabilities for class action of US$12,000 (equivalent to RMB83,575) in this regard as of December 31, 2022, and paid off the settlement amount as of December 31, 2023. On January 23, 2024, the Supreme Court of the State of New York issued an order granting final approval of the settlement and dismissing the claims the in the Sonny St. John action.

Purchase Commitment

The Group's purchase commitments primarily relate to purchase of software and equipment. Total purchase commitments contracted but not yet reflected in the consolidated financial statements as of December 31, 2024 were as follows:

Year ended December 31,	RMB
2025	5,274
2026 and thereafter	150

19. RELATED PARTY TRANSACTIONS

(i) Related Parties

Name of Related Parties	Relationship with the Company
Shanghai Keshen Information Technology Co., Ltd.	One of the Company's investment affiliates and the Company owns 20% equity interest and has significant influence since December 2021
Shenzhen City Yunjitong Technology Co., Ltd	One of the Company's investment affiliates and the Company owns 18.52% equity interest and has significant influence
Shenyang Yunrongxin Technology Co., Ltd	One of the Company's investment affiliates and the Company owns 20% equity interest and has significant influence

(ii) The Company had the following related party transactions for the years ended December 31, 2022, 2023 and 2024:

	Note	Year ended December 31,		
		2022	2023	2024
		RMB	RMB	RMB
Cloud-based UC&C services provided to a related party:				
-Shanghai Keshen Information Technology Co., Ltd.	(a)	34	6	-
CPaaS services provided to related parties:				
-Shenyang Yunrongxin Technology Co., Ltd	(b)	1,341	913	162
-Shenzhen City Yunjitong Technology Co., Ltd	(b)	2	-	1
Project development services purchased from related parties:				
-Shenyang Yunrongxin Technology Co., Ltd	(c)	-	321	-
-Shanghai Keshen Information Technology Co., Ltd.	(c)	-	3,302	1,981

(a) Cloud-based UC&C services provided to a related party

The Company provided Cloud-based UC&C services to subsidiaries of Shanghai Keshen Information Technology Co., Ltd ("Shanghai Keshen"). Revenues of RMB34, RMB6 and nil, were recorded in the consolidated statements of comprehensive loss for the year ended December 31, 2022,2023 and 2024. Amounts due from Shanghai Keshen were RMB4 and nil as of December 31, 2023 and 2024, which are included in accounts receivable - related parties, net on the consolidated balance sheets. Amounts due to Shanghai Keshen were RMB51 and RMB62, which were deposits as of December 31, 2023 and 2024.

(b) CPaaS services provided to related parties

The Company provided CPaaS services to Shenyang Yunrongxin Technology Co., Ltd ("Shenyang Yunrongxin"). Revenues of RMB1,341, RMB913 and RMB162 were recorded in the consolidated statements of comprehensive loss for the years ended December 31, 2022, 2023 and 2024, respectively. Amounts due from Shenyang Yunrongxin were RMB700 and RMB389 as of December 31, 2023 and 2024, which are included in accounts receivable - related parties, net on the consolidated balance sheets.

The Company provided CPaaS services to Shenzhen City Yunjitong Technology Co., Ltd ("Shenzhen City Yunjitong"). Revenues of RMB2, nil and RMB1 were recorded in the consolidated statements of comprehensive loss for the years ended December 31, 2022, 2023 and 2024, respectively.

(c) Outsourcing services purchased from related parties

The Company purchased from Shenyang Yunrongxin project development services, which is included in cost of revenues of nil, RMB321 and nil, for the years ended December 31, 2022, 2023 and 2024, respectively. Amounts due to Shenyang Yunrongxin were RMB150 and RMB91 as of December 31, 2023 and 2024, which are included in accounts amounts due to related parties on the consolidated balance sheets.

The Company purchased project development services from Shanghai Keshen, which is included in cost of revenues of nil, RMB3,302 and RMB1,981, for the years ended December 31, 2022, 2023 and 2024, respectively. Amounts due from Shanghai Keshen were RMB3,350 and RMB2,590, which were prepayment of project development services fee as of December 31, 2023 and 2024, respectively.

The Company purchased project development services from Shenzhen City Yunjitong, amounts due to Shenzhen City Yunjitong were RMB4 and RMB1 as of December 31, 2023 and 2024, which are included in accounts amounts due to related parties on the consolidated balance sheets.

(iii) The Company had the following related party balances as of December 31, 2023 and 2024:

	Notes	2023	2024
		RMB	RMB
Accounts receivable - related parties, net:			
-Shanghai Keshen Information Technology Co., Ltd.	(a)	4	-
-Shenyang Yunrongxin Technology Co., Ltd	(b)	700	389
Amounts due from a related party:			
-Shanghai Keshen Information Technology Co., Ltd.	(c)	3,350	2,590
Total amounts due from related parties		3,350	2,590
Amounts due to related parties:			
-Shenyang Yunrongxin Technology Co., Ltd	(c)	150	91
-Shenzhen City Yunjitong Technology Co., Ltd	(c)	4	1
-Shanghai Keshen Information Technology Co., Ltd.	(a)	51	62
Total amounts due to related parties		205	154

20. PARENT ONLY FINANCIAL INFORMATION

The following condensed parent company financial information of Cloopen Group Holding Limited has been prepared using the same accounting policies as set out in the accompanying consolidated financial statements. As of December 31, 2023, there were no material contingencies, significant provisions of long-term obligations, mandatory dividend or redemption requirements of redeemable stocks or guarantees of Cloopen Group Holding Limited, except for those, which have been separately disclosed in the consolidated financial statements.

(a) Condensed Balance Sheets

	December 31,	
	2023	2024
	RMB	RMB
Assets		
Current assets		
Cash	20,475	79,741
Term deposits	85,522	143,768
Short-term investments	39,197	39,536
Other current assets	13	81
Total current assets	**145,207**	**263,126**
Non-current asset:		
Investments in and amounts due from subsidiaries and consolidated VIE and VIE's subsidiaries	1,108,131	993,075
Total non-current asset	**1,108,131**	**993,075**
Total assets	**1,253,338**	**1,256,201**
Liabilities		
Current liabilities		
Accrued expenses and other current liabilities	52,372	181,624
Total current liabilities	**52,372**	**181,624**
Total liabilities	**52,372**	**181,624**
Shareholders' equity:		
Class A Ordinary Shares	195	195
Class B Ordinary Shares	17	17
Additional paid-in capital	11,210,542	11,225,945
Treasury stock	(120,899)	(120,899)
Accumulated other comprehensive loss	(57,327)	(56,362)
Accumulated deficit	(9,831,562)	(9,974,319)
Total shareholders' equity	**1,200,966**	**1,074,577**
Total liabilities and shareholders' equity	**1,253,338**	**1,256,201**

(b) Condensed Statements of Comprehensive Loss

	Year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Total operating expenses	(238,074)	(89,953)	(32,074)
Share of losses from subsidiaries and consolidated VIE and VIE's subsidiaries	(736,824)	(319,769)	(110,683)
Loss before income taxes	**(974,898)**	**(409,722)**	**(142,757)**
Income tax expense	-	-	-
Net loss	**(974,898)**	**(409,722)**	**(142,757)**
Net loss attributable to ordinary shareholders	**(974,898)**	**(409,722)**	**(142,757)**

(c) Condensed Statements of Cash Flows

	Year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Net cash provided by/(used in) operating activities	(290,137)	(133,979)	115,285
Net cash used in investing activities	(335,194)	(569,407)	(486)
Net cash used in financing activities	(47,474)	-	-
Effect of foreign currency exchange rate changes on cash	73,275	31,168	2,713
Net increase/(decrease) in cash	**(599,530)**	**(672,218)**	**117,512**
Cash at the beginning of the year	1,377,745	778,215	105,997
Cash at the end of the year	**778,215**	**105,997**	**223,509**

C. THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CLOOPEN GROUP FOR THE YEAR ENDED DECEMBER 31, 2025

CLOOPEN GROUP HOLDING LIMITED

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To the Shareholders and Board of Directors
Cloopen Group Holding Limited:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Cloopen Group Holding Limited (the "Company"), its subsidiaries and its variable interest entities (collectively the "Group") as of December 31, 2024 and 2025, the related consolidated statements of comprehensive loss, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2025, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2025, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2025, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ ARK PRO CPA & Co

We have served as the Company's auditor since 2023.

Hong Kong, China

May 8, 2026

CLOOPEN GROUP HOLDING LIMITED

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Notes	December 31, 2024	December 31, 2025	
		RMB	RMB	US$
ASSETS				
Current assets				
Cash	4	640,119	324,134	46,351
Restricted cash	4	10,396	28,107	4,019
Term deposits	2(i)	222,783	211,463	30,239
Short-term investments	14	291,280	359,734	51,441
Accounts receivable – third parties, net	5	120,374	139,651	19,970
Accounts receivable – a related party, net	5,19	389	488	70
Contract assets	17	27,752	57,290	8,192
Amounts due from a related party	19	2,590	3,345	478
Prepayments and other current assets	6	119,996	111,954	16,009
Total current assets		**1,435,679**	**1,236,166**	**176,769**
Non-current assets				
Long-term investments	7	54,052	53,269	7,617
Property and equipment, net	8	8,173	6,088	871
Operating lease right-of-use assets	9	10,800	14,122	2,019
Intangible assets, net	10	11,609	9,271	1,326
Goodwill	11	54,427	54,427	7,783
Other non-current assets		3,639	2,925	418
Total non-current assets		**142,700**	**140,102**	**20,034**
Total assets		**1,578,379**	**1,376,268**	**196,803**
LIABILITIES AND SHAREHOLDERS' EUQITY				
Current liabilities				
Accounts payable		95,485	129,831	18,566
Contract liabilities	17	306,112	299,483	42,825
Operating lease liabilities-current	9	5,843	8,093	1,157
Amounts due to related parties	19	154	391	56
Accrued expenses and other current liabilities	12	101,009	102,675	14,682
Total current liabilities		**508,603**	**540,473**	**77,286**
Non-current liabilities				
Operating lease liabilities-non current	9	4,731	3,785	541
Deferred income tax liabilities	15	466	76	11
Total non-current liabilities		**5,197**	**3,861**	**552**
Total liabilities		**513,800**	**544,334**	**77,838**
Commitments and contingencies (Note 18)				
SHAREHOLDERS' EQUITY:				
Class A Ordinary Shares (US$0.0001 par value, 600,000,000 shares authorized, 309,105,485 and 317,606,141 shares issued as of December 31, 2024 and 2025, and 308,053,676 and 316,554,332 shares outstanding as of December 31, 2024 and 2025, respectively)		195	195	28
Class B Ordinary Shares (US$0.0001 par value, 25,649,839 shares authorized, issued and outstanding as of December 31, 2024 and 2025; each Class B ordinary share is convertible into one Class A ordinary share)		17	17	2
Additional paid-in capital		11,225,945	11,239,347	1,607,205
Treasury stock		(120,899)	(120,899)	(17,288)
Accumulated other comprehensive loss		(56,362)	(63,608)	(9,096)
Accumulated deficit		(9,974,319)	(10,213,669)	(1,460,535)
Total shareholders' Equity attributable to Cloopen Group Holding Limited		**1,074,577**	**841,383**	**120,316**
Non-controlling interests		**(9,998)**	**(9,449)**	**(1,351)**
Total shareholders' Equity		**1,064,579**	**831,934**	**118,965**
Total liabilities and shareholders' equity		**1,578,379**	**1,376,268**	**196,803**

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Notes	Year ended December 31,			
		2023	2024	2025	
		RMB	RMB	RMB	US$
Revenues (including related parties amounts of RMB 919, RMB 163 and RMB 337 for the years ended December 31,2023, 2024 and 2025, respectively)	17,19	571,024	573,566	535,709	76,605
Cost of revenues (including related parties amounts of RMB 3,623, RMB 1,981 and RMB 2,161 for the years ended December 31, 2023, 2024 and 2025, respectively)	19	(366,375)	(362,717)	(388,963)	(55,621)
Gross profit		204,649	210,849	146,746	20,984
Operating expenses:					
Selling and marketing expenses		(227,543)	(187,305)	(142,265)	(20,344)
General and administrative expenses		(191,113)	(93,916)	(111,061)	(15,882)
Other operating income		-	49,530	-	-
Research and development expenses	19	(222,538)	(177,000)	(139,081)	(19,888)
Total operating expenses		**(641,194)**	**(408,691)**	**(392,407)**	**(56,114)**
Operating loss		**(436,545)**	**(197,842)**	**(245,661)**	**(35,130)**
Interest income		26,826	42,151	10,656	1,524
Investment income		563	11,859	10,423	1,490
Share of gains (losses) of equity method investments	7	(1,470)	3	(1,638)	(234)
Impairment loss of long-term investments	7	(8,011)	-	(11,145)	(1,594)
Gains (losses) from disposal of subsidiaries, net		-	403	(1,743)	(249)
Foreign currency exchange gains (losses), net		5,699	(3,717)	(513)	(73)
Loss before income taxes		**(412,938)**	**(147,143)**	**(239,621)**	**(34,266)**
Income tax benefit	15	564	316	820	117
Net loss		**(412,374)**	**(146,827)**	**(238,801)**	**(34,149)**
Net income (loss) attributable to non-controlling interests		**(2,652)**	**(4,070)**	**549**	**79**
Net loss attributable to Cloopen Group Holding Limited		**(409,722)**	**(142,757)**	**(239,350)**	**(34,228)**
Net loss attributable to ordinary shareholders		**(409,722)**	**(142,757)**	**(239,350)**	**(34,228)**
Net loss		**(412,374)**	**(146,827)**	**(238,801)**	**(34,149)**
Other comprehensive income (loss):					
Foreign currency translation adjustment, net of nil income taxes		21,286	965	(7,246)	(1,036)
Total other comprehensive income (loss)		**21,286**	**965**	**(7,246)**	**(1,036)**
Comprehensive loss		**(391,088)**	**(145,862)**	**(246,047)**	**(35,185)**
Comprehensive income (loss) attributable to non-controlling interests		(2,652)	(4,070)	549	79
Comprehensive loss attributable to Cloopen Group Holding Limited		**(388,436)**	**(141,792)**	**(246,596)**	**(35,264)**
Net loss per ordinary share					
—Basic and diluted	16	(1.27)	(0.44)	(0.74)	(0.11)
Weighted average number of ordinary shares outstanding used in computing net loss per ordinary share					
—Basic and diluted	16	321,945,825	322,945,205	323,149,126	323,149,126

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2023

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Note	Class A ordinary shares		Class B ordinary shares		Treasury Shares	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity attributable to Cloopen Group Holding Limited	Non-controlling interests	Total shareholders' equity
		Number of shares	RMB	Number of shares	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2023		**309,054,428**	**193**	**25,649,839**	**17**	**(120,899)**	**11,184,360**	**(78,613)**	**(9,421,840)**	**1,563,218**	**(3,276)**	**1,559,942**
Cumulative effect of adoption of ASC 326		-	-	-	-	-	-	-	(196)	(196)	-	(196)
Exercise option		1,442,808	2	-	-	-	3,943	-	-	3,945	-	3,945
Net loss		-	-	-	-	-	-	-	(409,526)	(409,526)	(2,652)	(412,178)
Share-based compensation	13	-	-	-	-	-	22,239	-	-	22,239	-	22,239
Foreign currency translation adjustment, net of nil income taxes		-	-	-	-	-	-	21,286	-	21,286	-	21,286
Balance as of December 31, 2023		**310,491,236**	**195**	**25,649,839**	**17**	**(120,899)**	**11,210,542**	**(57,327)**	**(9,831,562)**	**1,200,966**	**(5,928)**	**1,195,038**

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2024

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Note	Class A ordinary shares		Class B ordinary shares		Treasury Shares	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity attributable to Cloopen Group Holding Limited	Non-controlling interests	Total shareholders' equity
		Number of shares	RMB	Number of shares	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2024		**310,491,236**	**195**	25,649,839	**17**	(120,899)	11,210,542	**(57,327)**	(9,831,562)	**1,200,966**	(5,928)	1,195,038
Exercise option		588,187	-	-	-	-	1,099	-	-	1,099	-	1,099
Net loss		-	-	-	-	-	-	-	(142,757)	(142,757)	(4,070)	(146,827)
Share-based compensation	13	-	-	-	-	-	14,304	-	-	14,304	-	14,304
Foreign currency translation adjustment, net of nil income taxes		-	-	-	-	-	-	965	-	965	-	965
Balance as of December 31, 2024		**311,079,423**	**195**	25,649,839	**17**	(120,899)	11,225,945	**(56,362)**	(9,974,319)	**1,074,577**	(9,998)	1,064,579

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2025

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Note	Class A ordinary shares		Class B ordinary shares		Treasury Shares	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity attributable to Cloopen Group Holding Limited	Non-controlling interests	Total shareholders' equity
		Number of shares	RMB	Number of shares	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2025		**311,079,423**	**195**	**25,649,839**	**17**	**(120,899)**	**11,225,945**	**(56,362)**	**(9,974,319)**	**1,074,577**	**(9,998)**	**1,064,579**
Exercise option		4,263,171	-	-	-	-	240	-	-	240	-	240
Change in the ownership interest in the subsidiaries		-	-	-	-	-	(31)	-	-	(31)	-	(31)
Net loss		-	-	-	-	-	-	-	(239,350)	(239,350)	549	(238,801)
Share-based compensation	13	-	-	-	-	-	13,193	-	-	13,193	-	13,193
Foreign currency translation adjustment, net of nil income taxes		-	-	-	-	-	-	(7,246)	-	(7,246)	-	(7,246)
Balance as of December 31, 2025		**315,342,594**	**195**	**25,649,839**	**17**	**(120,899)**	**11,239,347**	**(63,608)**	**(10,213,669)**	**841,383**	**(9,449)**	**831,934**
Balance as of December 31, 2025—US$		**-**	**28**	**-**	**2**	**(17,288)**	**1,607,205**	**(9,096)**	**(1,460,535)**	**120,316**	**(1,351)**	**118,965**

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

	Year ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US$
Operating activities:				
Net loss	**(412,374)**	**(146,827)**	**(238,801)**	**(34,149)**
Adjustments to reconcile net loss to net cash used in operating activities				
Allowance for doubtful accounts	16,456	(3,875)	2,802	401
Share-based compensation	22,238	14,304	13,193	1,887
Depreciation of property and equipment and amortization of Intangible assets	8,775	7,634	5,058	723
Amortization of right-of-use asset and interest on lease liabilities	4,516	8,468	2,016	288
Deferred tax benefit	(429)	(390)	(390)	(56)
Share of (gains) losses of equity method investments	1,470	(3)	1,638	234
Impairment loss of long-term investments	8,011	-	11,145	1,594
Loss from disposal of property and equipment	66	63	120	17
Investment income	(563)	(11,859)	(10,423)	(1,490)
Losses (gains) from disposal of subsidiaries, net	-	(403)	1,743	249
Unrealized foreign exchange (gains) losses	(5,699)	3,717	513	73
Changes in operating assets and liabilities, net of effect of disposal of subsidiaries:				
Accounts receivable - third parties, net	(28,125)	38,573	(26,984)	(3,859)
Accounts receivable - a related party, net	(724)	34	(179)	(26)
Contract assets	26,675	(13,015)	(24,554)	(3,511)
Amounts due from a related party	(3,245)	760	(755)	(108)
Prepayments and other current assets	(1,326)	1,726	6,299	901
Operating lease right-of-use assets	(2,166)	(5,276)	(5,338)	(763)
Other non-current assets	1,052	(111)	714	102
Accounts payable	(34,395)	7,756	34,346	4,911
Contract liabilities	3,427	(57,116)	(6,629)	(948)
Amounts due to related parties	(575)	(51)	237	34
Operating lease liabilities	(4,146)	(1,890)	1,304	186
Other non-current liabilities	3,063	-	-	-
Accrued expenses and other current liabilities	(118,184)	(22,459)	1,906	273
Net cash used in operating activities	**(516,202)**	**(180,240)**	**(231,019)**	**(33,037)**
Investing activities:				
Cash paid for business combination	(8,915)	-	-	-
Cash paid for purchase of property and equipment	(807)	(2,892)	(787)	(113)
Cash paid for purchase of intangible assets	(952)	(328)	(44)	(6)
Cash paid for purchase of long-term investments	(5,000)	-	(12,000)	(1,716)
Cash received from sale of short-term investments	24,663	357,825	358,732	51,298
Cash paid for purchase of short-term investments	(28,187)	(222,036)	(434,551)	(62,140)
Cash received from disposal of property and equipment	15	4	30	4
Cash paid for term deposits	(938,458)	(1,243,877)	(1,501,761)	(214,749)
Cash received from maturity of term deposits	1,308,935	1,571,532	1,510,189	215,954
Net cash provided by/ (used in) investing activities	**351,294**	**460,228**	**(80,192)**	**(11,468)**
Financing activities:				
Net cash provided by financing activities	-	-	-	-
Effect of foreign currency exchange rate changes on cash	20,092	(11,922)	12,937	1,851
Net increase/(decrease) in cash and restricted cash	**(144,816)**	**268,066**	**(298,274)**	**(42,654)**
Cash and restricted cash at the beginning of the year	527,265	382,449	650,515	93,023
Cash and restricted cash at the end of the year	**382,449**	**650,515**	**352,241**	**50,369**
Supplemental information				
Income tax paid	93	11	22	3
Income tax refund		(774)	(20)	(3)

The accompanying notes are an integral part of these consolidated financial statements.

CLOOPEN GROUP HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023, 2024 and 2025

(Amounts in thousands of RMB and US$, except for number of shares and per share data)

1. DESCRIPTION OF BUSINESS, ORGANIZATION AND BASIS OF PRESENTATION

Organization and principal activities

Cloopen Group Holding Limited ("the Company"), through its wholly-owned subsidiaries, consolidated variable interest entity ("VIE") and VIE's subsidiaries (collectively referred to as "the Group"), is principally engaged in providing integrated communication services based on cloud computing technology. The Group's principal operations and geographic markets are mainly in the People's Republic of China ("PRC").

The accompanying consolidated financial statements include the financial statements of the Company, its subsidiaries, consolidated VIE and VIE's subsidiaries.

The VIE arrangements

The Group operates its cloud communication business in the PRC through Beijing Ronglian Yitong Information Technology Co., Ltd. ("Ronglian Yitong", or the "VIE"), a limited liability company established under the laws of the PRC on March 31, 2009. Ronglian Yitong and its subsidiaries holds the necessary PRC operating licenses for the online businesses. The equity interests of Ronglian Yitong are legally held by Mr. Changxun Sun, the founder, chairman of board of directors and chief executive officer, Mr. Jianhong Zhou, the director of the Company, Lhasa Heye Investment Management Co., Ltd., and Beijing Hongshan Shengde Equity Investment Center (Limited Partnership) who act as nominee equity holders of the VIE on behalf of Anxun Guantong (Beijing) Technology Co., Ltd. ("Anxun Guantong" or "WFOE"), the Company's wholly-owned subsidiary. A series of contractual agreements, including Powers of Attorney, Exclusive Business Cooperation Agreement, Equity Pledge Agreement, Exclusive Option Agreement and Spousal Consent Letter (collectively, the "VIE Agreements"), were entered among the Company, Anxun Guantong, Ronglian Yitong and its nominee equity holders.

Pursuant to the VIE Agreements, the Company is able to exercise effective control over, bears the risks of, enjoys substantially all of the economic benefits of the VIE, and has an exclusive option to purchase all or part of the equity interests in the VIE when and to the extent permitted by the PRC law at the lowest price possible. The Company's management concluded that Ronglian Yitong is a VIE and the Company is its primary beneficiary. As such, the consolidated financial statements of the VIE are included in the consolidated financial statements of the Company.

The principal terms of the VIE Agreements are further described below.

1) Powers of Attorney

The Company and each of the equity holders of Ronglian Yitong entered into Powers of Attorney. Pursuant to the Powers of Attorney, the equity holders of Ronglian Yitong irrevocably appointed Anxun Guantong as their attorney-in-fact to exercise all equity holder rights, including, but not limited to, proposing, convening and attending in the equity holders' meeting, appointing or removing directors, executive officers and senior management, disposing of all or part of the equity holder's interests in Ronglian Yitong, casting the equity holders' votes on matters requiring equity holders' approval and doing all other acts in the capacity of the equity holders as permitted by Ronglian Yitong's Memorandum and Articles of Association. In addition, the Company has a right to assign its rights and benefits under the Powers of Attorney to any other parties without an advance notice to the equity holders of Ronglian Yitong. The Powers of Attorney shall continue in force and be irrevocable as long as the equity holders of Ronglian Yitong remain as the equity holders of Ronglian Yitong.

2) Exclusive Business Cooperation Agreement

Anxun Guantong and Ronglian Yitong entered into an Exclusive Business Cooperation Agreement, whereby Anxun Guantong is appointed as the exclusive service provider for the provision of business support, technology and consulting services to Ronglian Yitong. Unless a written consent is given by Anxun Guantong, Ronglian Yitong is not allowed to engage a third party to provide such services, while Anxun Guantong is able to designate another party to render such services to Ronglian Yitong. Ronglian Yitong shall pay Anxun Guantong on a monthly basis a service fee, which shall be equal to 100% of the monthly net profits of Ronglian Yitong, and Anxun Guantong has the sole discretion to adjust the basis of calculation of the service fee amount according to service provided to Ronglian Yitong. Anxun Guantong owns the exclusive intellectual property rights, whether created by Anxun Guantong or Ronglian Yitong, as a result of the performance of the Exclusive Business Cooperation Agreement unless terminated in writing by Anxun Guantong. The Exclusive Business Cooperation Agreement may be extended if confirmed in writing by Anxun Guantong prior to the expiration thereof. The extended term shall be determined by Anxun Guantong, and Ronglian Yitong shall accept such extended term unconditionally.

3) Equity Pledge Agreement

An Equity Pledge Agreement was entered into by and among Anxun Guantong, Ronglian Yitong and equity holders of Ronglian Yitong. To guarantee payment from Ronglian Yitong, including but not limited to the service fee pursuant to the Exclusive Business Cooperation Agreement, and the performance of Ronglian Yitong and the nominee equity holders' obligations under the contractual arrangements including the Exclusive Business Cooperation Agreement, Exclusive Option Agreement and Powers of Attorney, the equity holders of Ronglian Yitong pledged their respective equity in Ronglian Yitong to Anxun Guantong under the Equity Pledge Agreement as collateral. In the event Ronglian Yitong fails to pay Anxun Guantong its service fee, Anxun Guantong will have the right to sell the pledged equity and apply the proceeds received to pay any outstanding service fees due by Ronglian Yitong to Anxun Guantong. The equity holders of Ronglian Yitong agree that, during the term of the Equity Pledge Agreement, they will not dispose of the pledged equity or create or allow any encumbrance on the pledged equity, and they also agree that Anxun Guantong's rights relating to the equity pledges shall not be prejudiced by any legal actions of the equity holders of Ronglian Yitong, their successors or their designees. Except that the pledge of approximately 1.55% of the equity interests of VIE is subject to the registration in compliance with the PRC Property Rights Law, the equity pledge was registered with the relevant local administration for industry and commerce in October 2019 and may only be terminated upon the fulfillment of all contractual obligations under the Exclusive Business Cooperation Agreement, Exclusive Option Agreement and Powers of Attorney. During the term of the Equity Pledge Agreement, Anxun Guantong is entitled to receive dividends attributable to the pledged Ronglian Yitong equity.

4) Exclusive Option Agreement

Each of the equity holders of Ronglian Yitong entered into an Exclusive Option Agreement with Anxun Guantong, and Ronglian Yitong, pursuant to which the equity holders of Ronglian Yitong granted Anxun Guantong or other person upon the designation by Anxun Guantong, an irrevocable and exclusive option to purchase, at its discretion and to the extent permitted under the PRC law, all or part of the equity holders' interests in Ronglian Yitong at the lowest price that the PRC law permits at the time unless a valuation of the equity is required by the PRC law. The equity holders of Ronglian Yitong commit that without the prior written consent of Anxun Guantong, the equity holders of Ronglian Yitong will not, among other things, (1) change or amend the Memorandum and Articles of Association, increase or decrease Ronglian Yitong's registered capital, change its structure of registered capital in other manners; (2) sell, transfer, mortgage or dispose of in any manner any assets of Ronglian Yitong or legal or beneficial interest in the business or revenue of Ronglian Yitong, or allow the encumbrance thereon of any security interest; (3) incur, inherit, guarantee or suffer the existence of any debt, except for (i) debts incurred in the ordinary course of business other than through loans and (ii) debts disclosed to Anxun Guantong for which Anxun Guantong's written consent has been obtained; (4) providing any person with any loan or credit or guarantee in any form; (5) cause or permit Ronglian Yitong to merge, consolidate with, acquire or invest in any person, and/or sell permit Ronglian Yitong to sell assets with a value of over RMB500,000; (6)in any manner distribute dividends to its shareholders; (7) create any pledge or encumbrance on their equity interests in Ronglian Yitong; (8) transfer or otherwise dispose of their equity interests in Ronglian Yitong and its equity holders shall appoint those individuals recommended by Anxun Guantong as directors of Ronglian Yitong. Ronglian Yitong shall provide operating and financial information to the Company at the request of Anxun Guantong and ensure the continuance of the business. The Exclusive Option Agreement will remain effective until all equity interests in Ronglian Yitong held by its equity holders are transferred or assigned to the Company or its designee. Ronglian Yitong and its equity holders shall not have any right to terminate the Exclusive Option Agreement.

5) Spousal Consent Letter

Pursuant to the Spousal Consent Letters executed by the spouse of the principal individual shareholder of the VIE, the signing spouse confirmed that she does not enjoy any right or interest in connection with the equity interests of the VIE. The spouse also irrevocably agreed that she would not claim in the future any right or interest in connection with the equity interests in the VIE held by her spouse.

Risks in relation to the VIE structure

In the opinion of the Company's management, the VIE Agreements have resulted in the WFOE having the power to direct activities that most significantly impact the VIE, including appointing key management, setting up operating policies, exerting financial controls and transferring profit or assets out of the VIE at its discretion. The Company considers that it has the right to receive all the benefits and assets of the VIE. As the VIE was established as a limited liability company under the PRC law, its creditors do not have recourse to the general credit of the Company for the liabilities of the VIE, and the Company does not have the obligation to assume the liabilities of the VIE.

The Company has determined that the VIE Agreements are in compliance with the PRC laws and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce the VIE Agreements; and if the equity holders of the VIE were to reduce their interest in the Company, their interests may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual terms.

The Company's ability to control the VIE also depends on the rights provided to the Company under the Powers of Attorney to vote on all matters requiring equity holders' approval in the respective VIE. As noted above, the Company believes these Powers of Attorney are legally enforceable but yet they may not be as effective as direct equity ownership. In addition, if the corporate structure of the Group or the contractual arrangements among the Company, Anxun Guantong, the VIE and its respective equity holders were found to be in violation of any existing PRC laws and regulations, the relevant PRC regulatory authorities could:

- revoke the business license and/or operating licenses of such entities;
- discontinue or place restrictions or onerous conditions on the Group's operations;
- impose fines, confiscating the income from the VIE, or imposing other requirements with which the Group may not be able to comply;
- require the Group to restructure its ownership structure or operations, including terminating the contractual arrangements with the VIE and deregistering the equity pledges of the VIE, which in turn would affect the Company's ability to consolidate, derive economic interests from, or exert effective control over the VIE; or
- restrict or prohibit our use of the proceeds of this offering to finance our business and operations in the PRC.

The imposition of any of the above restrictions or actions may result in a material and adverse effect on the Group's ability to conduct its business. In addition, if the imposition of any of these restrictions causes the Company to lose the right to direct the activities of the VIE or the right to receive its economic benefits, the Company would no longer be able to consolidate the VIE. The Company's management believes that the likelihood to lose the Company's current ownership structure or the contractual arrangements with the VIE is remote based on the current facts and circumstances.

There is no VIE in which the Company has a variable interest but is not the primary beneficiary. Currently there is no contractual arrangement that could require the Company to provide additional financial support to the VIE.

The following consolidated assets and liabilities information of the Group's VIE as of December 31, 2024 and 2025, and consolidated revenues, net loss and cash flow information for the years then ended, have been included in the accompanying consolidated financial statements:

	December 31,	
	2024	2025
	RMB	RMB
Cash	139,299	159,481
Restricted cash	10,396	7,727
Accounts receivable - third parties, net	112,705	133,813
Accounts receivable - related parties, net*	49,603	51,573
Contract assets	27,752	57,290
Amounts due from related parties	8,575	20,835
Prepayments and other current assets	73,556	59,664
Total current assets	**421,886**	**490,383**
Long-term investments	54,052	53,269
Property and equipment, net	6,759	5,029
Operating lease right-of-use assets	6,856	9,214
Intangible assets, net	11,507	9,076
Goodwill	54,427	54,427
Other non-current assets	2,949	2,533
Total assets	**558,436**	**623,931**
Accounts payable	84,134	116,020
Contract liabilities	299,010	299,279
Amounts due to related parties**	2,207,995	2,316,709
Operating lease liabilities-current	3,930	5,574
Accrued expenses and other current liabilities	60,321	67,249
Total current liabilities	**2,655,390**	**2,804,831**
Operating lease liabilities-non current	2,707	2,186
Deferred income tax liabilities	466	76
Total liabilities	**2,658,563**	**2,807,093**

* Accounts receivable-related parties, net includes accounts receivable, net due from the Company and its subsidiaries, which are eliminated upon consolidation, and accounts receivable, net due from one of the Company's shareholders and other related parties of RMB389 and RMB488 as of December 31, 2024 and 2025.

** Amounts due to related parties include amounts due to the Company and its subsidiaries, which are eliminated upon consolidation, and amounts due to one of the Company's shareholders and other related parties of RMB154 and RMB391 as of December 31, 2024 and 2025.

	Year ended December 31,		
	2023	2024	2025
	RMB	*RMB*	*RMB*
Revenues	553,910	563,277	495,463
Net loss	(232,856)	(33,078)	(82,869)
Net cash provided by/ (used in) operating activities	(184,395)	46,516	(46,311)
Net cash used in investing activities	(6,700)	(3,216)	(12,508)
Net cash provided by/ (used in) financing activities	218,926	(4,712)	76,333
Net increase in cash and restricted cash	27,831	38,588	17,514
Cash and restricted cash at the beginning of the year	83,275	111,106	149,694
Cash and restricted cash at the end of the year	111,106	149,694	167,208

In accordance with VIE Agreements, WFOE has the power to direct the activities of the VIE. Therefore, the Company considers that there are no assets in the VIE that can be used only to settle obligations of the VIE, except for restricted cash of RMB10,396 and RMB7,727 as of December 31, 2024 and 2025, respectively. The creditors of VIEs do not have recourse to the general credit of WFOE.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The accompanying consolidated financial statements contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. The realization of assets and the satisfaction of liabilities in the normal course of business are dependent on, among other things, the Group's ability to operate profitably, to generate cash flows from operations, and its ability to attract investors and to borrow funds on reasonable economic terms.

(b) Principles of Consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, the VIE for which the WFOE is the primary beneficiary, and the VIE's subsidiaries.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power or has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at the meeting of directors. A VIE is an entity in which the Company, or its subsidiary, through contractual arrangements, exercises effective control over the activities that most impact the economic performance, bears the risks of, and enjoys the rewards normally associated with ownership of the entity, and therefore the Company or its subsidiary is the primary beneficiary of the entity.

All intercompany transactions and balances among the Company, its subsidiaries, the VIE, and the VIE's subsidiaries have been eliminated upon consolidation.

The following table lists major subsidiaries and the consolidated VIEs of the Company as of December 31, 2025:

	Palace of Incorporation	Percentage of ownership
Beijing Ronglian Yitong Information Technology Co., Ltd.	PRC	VIE
Beijing Ronglian Qimo Technology Co., Ltd.	PRC	100%
Beijing Ronglian Guanghui Technology Co., Ltd.	PRC	100%
Beijing Baiyi High-tech Information Technology Co., Ltd.	PRC	100%
Beijing Ronglian Huitong Technology Information Co., Ltd.	PRC	100%
Shenzhen Zhongtian Wangjing Technology Co., Ltd.	PRC	100%
Cloopen Japan Co., Ltd.	Japan	100%
Anxun Guantong (Beijing) Technology Co., Ltd.	PRC	100%
Cloopen limited	HK	100%

(c) Use of Estimates

The preparation of the consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures of contingent assets and liabilities at the balance sheet date, and the reported revenues and expenses during the reported period in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates, and as such, differences may be material to the consolidated financial statements. Significant accounting estimates reflected in the Group's financial statements include, but not limited to, revenue recognition, fair value of assets and liabilities acquired in business combination, the allowance for credit loss of accounts receivable and contract assets, depreciable lives and recoverability of property and equipment and intangible assets, assessment of impairment of long-lived assets, intangible assets and goodwill, the realization of deferred income tax assets, the fair value of share based compensation awards, short-term investments, equity method investments, other equity investments, incremental borrowing rates for operating lease liabilities, and management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances.

In March 2020, the World Health Organization declared the outbreak of a disease caused by a novel strain of the coronavirus ("COVID-19") to be a pandemic. After the initial outbreak of the COVID-19, some instances of COVID-19 infections have emerged from time to time. The COVID-19 pandemic has created and may continue to create significant uncertainty in the macroeconomic environment which, in addition to other unforeseen effects of this pandemic, may adversely impact the Group's results of operations. The extent to which COVID-19 would impacts the results of operations is contingent on the future developments of the outbreak, including constant updates concerning the global severity of and actions needed to contain the outbreak, which are highly uncertain and unpredictable. Due to the uncertainty and the economic implications on global economics conditions from the COVID-19 pandemic, certain estimates and assumptions may change in the near term.

(d) Convenience Translation

Translations of the consolidated financial statements from RMB into US$ as of and for the year ended December 31, 2025 are solely for the convenience of the readers and were calculated at the rate of US$1.00 = RMB6.9931, representing the noon buying rate in The City of New York for cable transfers of RMB as set forth in the H.10 weekly statistical release of Federal Reserve Board on December 31, 2025. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US$ at that rate on December 31, 2025, or at any other rate.

(e) Commitments and Contingencies

In the normal course of business, the Group is subject to loss contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters, including, among others, government investigations, shareholder lawsuits, and non-income tax matters. An accrual for a loss contingency is recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed.

(f) Business combinations

Business combinations are recorded using the acquisition method of accounting in accordance with ASC topic 805 ("ASC 805"): Business Combinations. The acquisition method of accounting requires an acquirer to determine the identifiable acquired assets, the liabilities assumed and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date. The consideration transferred for an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities assumed, and equity instruments issued as well as the contingent considerations as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total cost of the acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings.

(g) Cash

Cash consists of cash on hand and cash at bank. Cash at bank are deposited in financial institutions at below locations:

	December 31,	
	2024	2025
	RMB	RMB
Cash balances include deposits in: Financial institutions in the mainland of the PRC		
—Denominated in Renminbi ("RMB")	257,829	217,384
—Denominated in US$	160,963	24,162
Total cash balances held at mainland PRC financial institutions	**418,792**	**241,546**
Financial institutions in Hong Kong Special Administrative Region ("HKSAR")		
—Denominated in US$	180,551	-
— Denominated in Renminbi ("RMB")	-	45,973
Total cash balances held at HKSAR financial institutions	**180,551**	**45,973**
Financial institutions in Japan		
—Denominated in Japanese Yen	25,265	18,450
— Denominated in United Stated Dollars ("USD")	11,030	10,570
Total cash balances held at Japan financial institutions	**36,295**	**29,020**
Financial institutions in Malaysia		
—Denominated in Malaysian Ringgit	842	463
—Denominated in US$	77	174
Total cash balances held at Malaysia financial institutions	**919**	**637**
Financial institutions in Singapore		
—Denominated in SGD	1,978	2,202
— Denominated in United Stated Dollars ("USD")	1,166	4,756
Total cash balances held at Singapore financial institutions	**3,144**	**6,958**
Financial institutions in Korean		
— Denominated in Korean Won ("KRW")	362	-
— Denominated in United Stated Dollars ("USD")	49	-
Total cash balances held at Korean financial institutions	**411**	-
Financial institutions in Mexico		
— Denominated in United Stated Dollars ("USD")	**7**	-
Total cash balances held at Korean financial institutions	**7**	-
Total cash balances held at financial institutions	**640,119**	**324,134**
Total cash balances	**640,119**	**324,134**

The bank deposits, including term deposits, with financial institutions in the mainland of the PRC and Japan are insured by the government authorities up to RMB500 and JPY10,000, respectively. The bank deposits including term deposits are insured by the government authorities with amounts up to RMB20,422 and RMB21,177 as of December 31, 2024 and 2025, respectively. The Company has not experienced any losses in uninsured bank deposits and does not believe that it is exposed to any significant risks on cash held in bank accounts. To limit exposure to credit risk, the Company primarily places bank deposits with large financial institutions in the PRC and Japan with acceptable credit rating.

(h) Restricted cash

Cash balances that have restrictions as to withdrawal or usage are considered restricted cash. Restricted cash that will be released to cash within the next 12 months is classified as current asset, while the balance restricted for use longer than one year is classified as non-current asset on the consolidated balance sheets.

(i) Term deposits

Term deposits represent deposits at banks with original maturities more than three months but less than one year. The Group's term deposits were denominated in US$ and were deposited at financial institutions in the mainland of the PRC with the interest rate of 4.72%, and 3.05% per annum as of December 31, 2024 and 2025, respectively.

Term deposits maintained at financial institutions consist of the following:

	2024 RMB	2025 RMB
US$ denominated bank deposits with financial institutions in the PRC	222,783	211,463

To limit exposure to credit risk relating to bank deposits, the Company primarily places term deposits only with large financial institutions in the PRC with acceptable credit rating.

(j) Short-term Investments

The Group's short-term investments represent the Group's investments in financial products managed by financial institutions in the PRC and Cayman which are redeemable at the option of the Group on any working day. Short-term investments are classified as available for sale debt securities and reported at fair value, with unrealized holding gains or losses, net of any related income tax effect, excluded from earnings and recorded as accumulated other comprehensive loss until realized. Realized gains or losses from the sale of short-term investments are determined on a specific identification basis and are recorded as investment income when earned.

(k) Accounts Receivable, net

Prior to January 1, 2023, the Company assesses recoverability of accounts receivable in accordance with ASC 310. Subsequent to January 1, 2023, accounts receivable is recorded at the realizable value amount, net of allowances for credit loss in accordance with ASC 326 and records the allowance for credit losses as an offset to accounts receivable. The estimated credit losses are classified as "General and administrative" in the consolidated statements of comprehensive loss. The Company assesses collectability by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when the Company identifies specific customers with known disputes or collectability issues. In determining the amount of the allowance for credit losses using probability-of-default method, the Company considers size, the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses, and other factors that may affect the Company's ability to collect from customers.

(l) Long-term investments

Equity method investments

The Group applies the equity method to account for an equity interest in an investee over which the Group has significant influence but does not own a majority equity interest or otherwise control.

Under the equity method of accounting, the Group's share of the investee's results of operations is reported as share of losses of equity method investments in the consolidated statements of comprehensive loss.

The Group recognizes an impairment loss when there is a decline in value below the carrying value of the equity method investment that is considered to be other than temporary. The process of assessing and determining whether impairment on an investment is other than temporary requires a significant amount of judgment. To determine whether an impairment is other than temporary, management considers whether it has the ability and intent to hold the investment until recovery and whether evidence indicating the carrying value of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the decline in value, any change in value subsequent to the period end, and forecasted performance of the investee.

Other equity investments

The Group elects the measurement alternative in ASC 321 and measures investments in "equity investment" at cost, adjusted for changes resulting from impairments and observable price changes in orderly transactions for identical or similar securities of the same issuer. The Group considers information in periodic financial statements and other documentation provided by the investees to determine whether observable price changes have occurred.

The Group makes a qualitative assessment considering impairment indicators to evaluate whether the equity investments without a readily determinable fair value is impaired at each reporting period, and written down to its fair value if a qualitative assessment indicates that the investment is impaired and the fair value of the investment is less than its carrying value. If an equity investment without a readily determinable fair value is impaired, the Group includes an impairment loss in net income equal to the difference between the fair value of the investment and its carrying amount.

(m) Property and Equipment, net

Property and equipment are stated at cost less accumulated depreciation and any recorded impairment.

The estimated useful lives are as follows:

Computer and office equipment	3-5 years
Furniture and fixtures	3-5 years
Motor vehicles	4-5 years
Buildings	20 years
Leasehold improvements	The shorter of lease terms and estimated useful lives

Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets.

When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value and the proceeds received thereon. Ordinary maintenance and repairs are charged to expense as incurred.

(n) Intangible Assets, net

Intangible assets purchased from third parties are initially recorded at cost and amortized on a straight-line basis over the estimated economic useful lives. The Group performs valuation of the intangible assets arising from business combination to determine the fair value to be assigned to each asset acquired. The acquired intangible assets are recognized and measured at fair value and are expensed or amortized using the straight-line approach over the estimated economic useful lives of the assets.

The estimated useful lives of intangible assets are as follows:

Software copyrights	8 years
Telecommunication business operation licenses	3-5 years
Technology	6-10 years
Non-compete arrangements	4-7 year
Customer relationship	3-10 years
Trademark	10 years
Order backlogs	1-4 years
Software	3-8 years

(o) Goodwill

Goodwill represents the excess of the purchase consideration over the acquisition date amounts of the identifiable tangible and intangible assets acquired and liabilities assumed from the acquired entity as a result of the Company's acquisitions of interests in its subsidiaries. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. In accordance with ASC 350, the Company may first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. In the qualitative assessment, the Company considers factors such as macroeconomic conditions, industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations, business plans and strategies of the reporting unit, including consideration of the impact of the COVID-19 pandemic. Based on the qualitative assessment, if it is more likely than not that the fair value of a reporting unit is less than the carrying amount, the quantitative impairment test is performed. The Company may also bypass the qualitative assessment and proceed directly to perform the quantitative impairment test.

The Company performs the quantitative impairment test by comparing the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount of a reporting unit exceeds its fair value, the amount by which the carrying amount exceeds the reporting unit's fair value is recognized as impairment. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, allocation of assets, liabilities and goodwill to reporting units, and determination of the fair value of each reporting unit.

(p) Impairment of Long-lived Assets

Long-lived assets such as property and equipment and intangible assets with finite lives are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be fully recoverable or that the useful life is shorter than the Group had originally estimated. When these events occur, the Group evaluates the impairment for the long-lived assets by comparing the carrying value of the assets to an estimate of future undiscounted cash flows expected to be generated from the use of the assets and their eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying value of the assets, the Group recognizes an impairment loss based on the excess of the carrying value of the assets over the fair value of the assets.

(q) Value Added Taxes

The Company's PRC subsidiaries are subject to value added tax ("VAT"). Revenue from providing cloud communication services and communication devices sales are generally subject to VAT at the rate of 6% and 13% since April 1, 2019, or 6% to 16% between May 1, 2018 and April 1, 2019, and subsequently paid to PRC tax authorities after netting input VAT on purchases. The excess of output VAT over input VAT is reflected in accrued expenses and other current liabilities, and the excess of input VAT over output VAT is reflected in prepayments and other current assets in the consolidated balance sheets.

(r) Fair Value Measurements

Fair value represents the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

Accounting guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Accounting guidance establishes a three-level fair value hierarchy and requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs are:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2—Include other inputs that are directly or indirectly observable in the marketplace.
Level 3—Unobservable inputs which are supported by little or no market activity.

Accounting guidance also describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

Financial assets and liabilities of the Group primarily consist of cash, restricted cash, term deposits, short-term investments, accounts receivable - third parties, net, accounts receivable – a related party, net, other receivables included in prepayments and other current assets, long-term investment, amounts due from a related party, accounts payable, contract liabilities, amounts due to related parties, and other payables included in accrued expenses and other current liabilities. The Group measures short-term investments at fair value on a recurring basis. Short-term investments include financial products issued by financial institutions, which are valued based on prices per units quoted by issuers and are categorized in Level 2 of the fair value hierarchy.

The Group's non-financial assets, such as intangible assets and property and equipment, would be measured at fair value only if they were determined to be impaired.

(s) Revenue recognition

The Group accounts for its revenue contracts in accordance with ASC Topic 606, Revenue from Contracts with Customers (ASC 606). According to ASC 606, revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services. The Group determines revenue recognition through the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

The Group generate substantially all of the Group's revenues from the following services and products:

(1) Communication Platform-as-a-Service ("CPaaS") which allows customers to send text messages and place voice calls using the Company's cloud-based platform;

(2) Cloud-based Contact Centers ("Cloud-based CC") with which customers can operate their virtual contact centers and access related value-added services using the Company's cloud-based platform; and

(3) Cloud-based Unified Communications and Collaborations ("Cloud-based UC&C") where the Company creates customized communications software on customers' private clouds to meet their specific needs and deliver the software licenses to customers.

The Company recognizes revenue upon the transfer of control of promised products or services provided to the Company's customers, in the amount of consideration the Company expect to receive for those products or services (excluding sales taxes collected on behalf of government authorities). The Company's revenue contracts generally do not include a right of return in relation to the delivered products or services.

The timing of revenue recognition may differ from the timing of invoicing to the Company's customers. The Company record a contract asset when revenue is recognized prior to invoicing, and a contract liability when payment is received from a customer in advance of revenue recognition. The Company generally issue invoices based on contract terms, which may be when the services are completed, upon customer acceptance of the Company's deliverables or at preset milestones. Payments are due with standard payment terms which are generally not more than 90 days from invoice issuance.

We recognize the incremental costs of obtaining contracts as selling, general and administrative expenses when incurred if the amortization period of the asset that otherwise would have been recognized is one year or less. Assets recognized for costs to obtain a contract were not material as of December 31, 2025. Costs to fulfill a contract are recorded as assets if they relate directly to a contract or a specific anticipated contract, the costs generate or enhance resources that will be used in satisfying performance obligations in the future and the costs are expected to be recovered. Costs to fulfill a contract recognized as assets primarily consist of labor and materials costs and generally relate to engineering and set-up costs incurred prior to the satisfaction of performance obligations. Assets recognized for costs to fulfill a contract are included in the "Prepaid expenses and other current assets" line of the consolidated balance sheets and were not material as of December 31, 2025. Such assets are recognized as expenses as we transfer the related goods or services to the customer. All other costs to fulfill a contract are expensed as incurred.

As of December 31, 2025, there were no material amounts of remaining performance obligations that are required to be disclosed. As permitted by ASC 606, we have elected not to disclose information about remaining performance obligations where i) the performance obligation is part of a contract that has an original expected duration of one year or less or ii) when we recognize revenue from the satisfaction of the performance obligation in accordance with the right-to-invoice practical expedient.

CPaaS revenues

The Company accounts for revenue from customers' usage of text message and voice call services on the Company's CPaaS platform as two separate performance obligations. The Company's service fees are determined by applying the contractual unit price to the monthly usage volume of text messages sent or minutes of voice calls placed and a contractual monthly fixed charge per subscriber multiplied by the number of subscribers recorded by the Company's CPaaS platform where relevant. The cloud-based services to send text messages and place voice calls are sold separately to customers with observable standalone selling prices.

The Company also provides services as an agent in provision of CPaaS platforms to customers. The Company identified one performance obligation and recognized the revenues, on a monthly basis, at the amount equal to the difference between the amount charged to the customers and the amount charged by telecommunication operators. The net amount of revenue from services as an agent was RMB16 million, RMB15 million and RMB11 million for the years ended December 31, 2023, 2024 and 2025, respectively.

The service contracts are generally with a length between 3 and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide the customer with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant the Company or customers a unilateral right to terminate the contracts before completion.

Cloud-based CC revenues

Customers subscribe to the Company's basic Cloud-based CC services at a fixed monthly fee and pay for other value-added services on a usage basis. The Company recognizes the monthly service fees ratably over the contract period during which the Company is obligated to grant customers continuous access to those basic Cloud-based CC services. Revenue for other value-added services on top of the basic subscription is determined by applying the contractual unit price to the monthly usage volume and recognized when the related services are provided to customers. The basic subscription is sold to customers at the same price with or without the value-added services, so the transaction price is allocated on the basis of observable stand-alone selling prices.

The service contracts are generally with a length between 3 and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide customers with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant the Company or customers a unilateral right to terminate the contracts before completion.

The Company also offers customized Cloud-based CC solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. The Company has identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized CC license and other highly interdependent and interrelated services, and has accounted for the promise as one combined performance obligation. The Company applies an iterative process to design, test and implement the software in customers' IT environment and recognizes revenue for this performance obligation over a period of time during which the control of the customized Cloud-based CC solution is progressively transferred to the customers. The Company uses an input method to estimate progress, based on the proportion of the labour hours incurred relative to the estimated total labour hours. The Company also offers standard or non-complex cloud-based CC solutions to customers, and has identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. The Company's Cloud-based CC contracts generally include a standard assurance-type warranty.

Cloud-based UC&C revenues

The Company offers customized Cloud-based UC&C solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. The Company has identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized UC&C license and other highly interdependent and interrelated services, and has accounted for the promise as one combined performance obligation. The Company applies an iterative process to design, test and implement the software in customers' IT environment and recognizes revenue for this performance obligation over a period of time during which the control of the customized UC&C solution is progressively transferred to the customers. The Company uses an input method to estimate progress, based on the proportion of the labour hours incurred relative to the estimated total labour hours. The Company also offers standard or non-complex cloud-based UC&C solutions to customers, and has identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. Our cloud-based UC&C contracts generally include a standard assurance-type warranty.

(t) Cost of Revenues

Cost of revenues mainly consists of payroll and related costs for employees, communication service expense associated with the use of facilities and equipment by these employees, such as rental and depreciation expenses, communication service expense charges to telecom operators or its distributors and cloud service fees to cloud service providers.

(u) Research and Development Expenses

Research and development expenses mainly consist of payroll and related costs for employees involved in researching in the field of cloud communication, and outsourced design expenses as well as expenses associated with the use by these functions of facilities and equipment, such as rental and depreciation expenses. Research and development expenses are expensed as incurred in accordance with ASC 730 amounted to RMB222,538, RMB177,000 and RMB139,081 for the years ended December 31, 2023, 2024 and 2025, respectively.

(v) Selling and Marketing Expenses

Selling and marketing expenses mainly consist of advertising expenses, promotion expenses, payroll and related expenses for personnel engaged in selling and marketing activities and expenses associated with the use by these functions of facilities and equipment, such as rental and depreciation expenses. Advertising expenses are expensed when incurred and are included in selling expenses in the consolidated statements of comprehensive loss. For the years ended December 31, 2023, 2024 and 2025, the advertising expenses were RMB42,885, RMB39,154 and RMB28,433 respectively.

(w) General and Administrative Expenses

General and administrative expenses mainly consist of payroll and related costs for employees involved in general corporate functions, expenses associated with the use of facilities and equipment by these employees, such as rental and depreciation expenses, professional fees and other general corporate expenses.

(x) Share-based Compensation

The Group applied ASC 718, *Compensation-Stock Compensation* ("ASC 718"), to account for its employee share-based payments. Share-based awards granted to the founders and employees in the form of restricted shares are measured at the grant date fair value of the awards, and are recognized as compensation expense using the graded-vesting schedules over the requisite service period for each separately vesting portion (or tranche) of the award. The Group elects to recognize the effect of forfeitures in compensation cost when they occur. To the extent the required vesting conditions are not met resulting in the forfeiture of the share-based awards, previously recognized compensation expense relating to those awards is reversed.

Share-based compensation in relation to the restricted ordinary shares is measured based on the fair value of the Company's ordinary shares at the grant date of the award, which is estimated using the income approach and equity allocation method. Estimation of the fair value of the Company's ordinary shares involves significant assumptions that might not be observable in the market, and a number of complex and subjective variables, discount rate, risk-free interest rate and subjective judgments regarding the Company's projected financial and operating results, its unique business risks, the liquidity of its ordinary shares and its operating history and prospects at the time the grants are made. Share-based compensation in relation to the share options is estimated using the binominal option pricing model. The determination of the fair value of share options is affected by the fair value of the Company's ordinary shares as well as the assumptions regarding a number of complex and subjective variables, including the expected share price volatility, risk-free interest rate, exercise multiple and expected dividend yield. The fair value of these awards was determined by management with the assistance from a valuation report prepared by an independent valuation firm using management's estimates and assumptions.

A change in any of the terms or conditions of share-based awards is accounted for as a modification of the awards. The Company calculates incremental compensation cost of a modification as the excess of the fair value of the modified awards over the fair value of the original awards immediately before its terms are modified at the modification date. For vested awards, the Company recognizes incremental compensation cost in the period the modification occurs. For awards not being fully vested, the Company recognizes the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original awards over the remaining requisite service period after modification.

(y) Employee Benefits

The Company's subsidiaries and the VIE and VIE's subsidiaries in the PRC participate in a government mandated, multi-employers, defined contribution plan, pursuant to which certain retirement, medical, housing and other welfare benefits are provided to employees. PRC labor laws require the entities incorporated in the PRC to pay to the local labor bureau a monthly contribution calculated at a stated contribution rate on the monthly basic compensation of qualified employees. The Company also makes payments to other defined contribution plans and defined benefit plans for the benefit of employees employed by the subsidiary of Japan. The Group has no further commitments beyond its monthly contribution. Employee social benefits included as expenses in the accompanying consolidated statements of comprehensive loss amounted to RMB86,198, RMB65,998 and RMB64,390 for the years ended December 31, 2023, 2024 and 2025, respectively.

(z) Income Taxes

The Company follows the asset and liability method in according for income taxes in according to ASC topic 740 "Taxation" ("ASC 740"), Income Taxes, under this method, current income taxes are provided on the basis of income before income taxes for financial reporting purposes, and adjusted for income and expense items which are not assessable or deductible for income tax purposes, deferred income taxes are provided using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the tax effects of temporary differences and are determined by applying enacted statutory tax rates that will be in effect in the period in which the temporary differences are expected to reverse to the temporary differences between the financial statements' carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided to reduce the amount of deferred income tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred income tax assets will not be realized. The effect on deferred income taxes arising from a change in tax rates is recognized in the consolidated statements of comprehensive loss in the period of change.

The Company adopts ASC740 to account for uncertainty in income taxes. ASC740 clarifies a "more likely than not" recognition threshold in the evaluation of uncertain tax positions. The Group recognizes the benefit of a tax position in its consolidated financial statements if the tax position is "more likely than not" to prevail based on the facts and technical merits of the position. Tax positions that meet the "more likely than not" recognition threshold is measured at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. Unrecognized tax benefits may be affected by changes in interpretation of laws, rulings of tax authorities, tax audits, and expiry of statutory limitations. In addition, changes in facts, circumstances and new information may require the Group to adjust the recognition and measurement estimates with regard to individual tax positions. Accordingly, unrecognized tax benefits are periodically reviewed and re-assessed. Adjustments, if required, are recorded in the Group's consolidated financial statements in the period in which the change that necessities the adjustments occur. The ultimate outcome for a particular tax position may not be determined with certainty prior to the conclusion of a tax audit and, in certain circumstances, a tax appeal or litigation process. The Group records interest and penalties related to unrecognized tax benefits (if any) in interest expenses and general and administrative expenses, respectively. As of December 31, 2024 and 2025, the Group did not have any significant unrecognized uncertain tax positions.

(aa) Operating Leases

The Company adopted ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02") from January 1, 2022 by using the modified retrospective method and did not restate the comparable periods. The Company has elected the package of practical expedients, which allows the Company not to reassess (1) whether any expired or existing contracts as of the adoption date are contain a lease, (2) lease classification for any expired or existing leases as of the adoption date and (3) initial direct costs for any expired or existing leases as of the adoption date. The Company also elected the short-term lease exemption for all contracts with lease terms of 12 months or less.

The Company determines if an arrangement is a lease or contains a lease at lease inception. Leases are classified at the inception date as either as a finance lease or an operating lease. The Company classifies a lease as a finance lease when the lease meets any one of the following criteria at lease commencement:

a. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.

b. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

c. The lease term is for a major part of the remaining economic life of the underlying asset.

d. The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments equals or exceeds substantially all of the fair value of the underlying asset.

e. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the Company at the end of the lease term.

For operating leases, the Company recognizes an ROU asset and a lease liability based on the present value of the lease payments over the lease term on the consolidated balance sheets at commencement date. At lease commencement, operating lease ROU assets represent the right to use underlying assets for their respective lease terms and are recognized at amounts equal to the lease liabilities adjusted for any lease payments made prior to the lease commencement date, less any lease incentives received and any initial direct costs incurred by the Company.

After lease commencement, operating lease liabilities are measured at the present value of the remaining lease payments using the discount rate determined at lease commencement.

Operating lease ROU assets are measured at the amount of the lease liabilities and further adjusted for prepaid or accrued lease payments, the remaining balance of any lease incentives received, unamortized initial direct costs and impairment of the ROU assets, if any. Operating lease expense is recorded as a single cost on a straight-line basis over the lease term.

The Company's leases do not provide an implicit rate, the Company estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located.

(bb) Foreign Currency Translation and Foreign Currency Risks

The Company's reporting currency is RMB. The functional currency of the Company and its subsidiary incorporated at Hong Kong S.A.R. is the US$. The functional currency of the Company's subsidiary incorporated at Japan is JPY. The functional currency of the Company's PRC subsidiary, the VIE and the VIE's subsidiaries is RMB.

Transactions denominated in currencies other than the functional currency are remeasured into the functional currency at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in a foreign currency are remeasured into the functional currency using the applicable exchange rate at the balance sheet date. The resulted exchange differences are recorded as foreign currency exchange gains (losses), net in the consolidated statements of comprehensive loss.

The financial statements of the Company, its subsidiary incorporated at Hong Kong S.A.R. and its subsidiary incorporated at Japan are translated from the functional currency into RMB. Assets and liabilities are translated into RMB using the applicable exchange rates at the balance sheet date. Equity accounts other than earnings (deficits) generated in the current period are translated into RMB using the appropriate historical rates. Revenues, expenses, gains and losses are translated into RMB using the average exchange rates for the relevant period. The resulted foreign currency translation adjustments are recorded as a component of other comprehensive loss in the consolidated statements of comprehensive loss, and the accumulated foreign currency translation adjustments are recorded as a component of accumulated other comprehensive loss in the consolidated statements of changes in shareholders' deficit.

RMB is not a freely convertible currency. The PRC State Administration for Foreign Exchange, under the authority of the PRC government, controls the conversion of RMB to foreign currencies. The value of RMB is subject to changes of central government policies and international economic and political developments affecting supply and demand in the PRC foreign exchange trading system market.

(cc) Concentration and Risk

Concentration of customers and suppliers

No customers individually represent greater than 10.0% of total revenues of the Group during the years ended December 31, 2023, 2024 and 2025.

Two supplier represents 14.7% and 13.4% of total purchases of the Group during the year ended December 31, 2023, respectively. One supplier represents 19.6% of total purchases of the Group during the year ended December 31,2024. No supplier represents greater than 10.0% of total purchases of the Group during the year ended December 31,2025.

Two customers represent 15.4% and 13.8% of total accounts receivable, net including related party amounts and contract assets of the Group as of December 31, 2023, respectively. One customer represents 16.6% of total accounts receivable, net including related party amounts and contract assets of the Group as of December 31, 2024. Two customers represent 13.2% and 11.6% of total accounts receivable, net including related party amounts and contract assets of the Group as of December 31, 2025, respectively.

Two suppliers represent 14.7% and 11.3% of total accounts payable of the Group as of December 31, 2023, respectively. Two suppliers represent 13.3% and 12.4% of total accounts payable of the Group as of December 31, 2024, respectively. One supplier represents 14.0% of total accounts payable of the Group as of December 31, 2025.

One customer represents 10.2% of total contract liabilities of the Group as of December 31, 2023. No customers individually represent greater than 10.0% of total contract liabilities of the Group as of December 31, 2024. One customer represents 13.0% of total contract liabilities of the Group as of December 31, 2025.

One supplier individually represents 21.0% of prepayments and other current assets excluding related party amounts of the Group as of December 31, 2023. Two suppliers represent 20.8% and 10.8% of prepayments and other current assets excluding related party amounts of the Group as of December 31, 2024, respectively. One supplier represents 23.6% of prepayments and other current assets excluding related party amounts of the Group as of December 31, 2025.

Concentration of credit risk

Financial instruments that potentially expose the Group to concentrations of credit risk consist principally of cash, restricted cash, term deposits, short-term investments and accounts receivable. The total amount of these financial instruments was RMB1,285 million and RMB1,064 million as of December 31, 2024 and 2025.

The Group's investment policy requires cash, restricted cash, term deposits and short-term investments to be placed with high-quality financial institutions and to limit the amount of credit risk from any one issuer. The Group regularly evaluates the credit standing of the counterparties or financial institutions.

The Group conducts credit evaluations on its customers prior to delivery of goods or services. The assessment of customer creditworthiness is primarily based on historical collection records, research of publicly available information and customer on-site visits by senior management. Based on this analysis, the Group determines what credit terms, if any, to offer to each customer individually. If the assessment indicates a likelihood of collection risk, the Company will not deliver the services or sell the products to the customer or require the customer to pay cash, post letters of credit to secure payment or to make significant down payments.

Interest rate risk

The Group's short-term bank borrowings bears interests at fixed rates. If the Group were to renew these loans, the Group might be subject to interest rate risk.

(dd) Loss per Share

In accordance with ASC 260, *Earnings per Share,* basic income (loss) per share is computed by dividing net income (loss) attributable to ordinary shareholders by the weighted average number of ordinary shares and participating securities during the period, considering the accretions to redemption value of the preferred shares, by the weighted average number of ordinary shares outstanding during the year using the two-class method. Under the two-class method, any net income is allocated between ordinary shares and other participating securities based on their participating rights. A net loss is not allocated to participating securities when the participating securities does not have contractual obligation to share losses.

The Company's preferred shares and restricted ordinary shares are participating securities. The preferred shares are participating securities as they participate in undistributed earnings on an as-if-converted basis and the restricted ordinary shares are participating securities as the holders of the restricted ordinary shares have a non-forfeitable right to receive dividends with all ordinary shares. Neither the preferred shares nor the restricted ordinary shares has a contractual obligation to fund or otherwise absorb the Group's losses. Accordingly, any undistributed net income is allocated on a pro rata basis to the ordinary shares, preferred shares and restricted ordinary shares; whereas any undistributed net loss is allocated to ordinary shares only.

Unvested restricted ordinary shares are excluded from the weighted average number of ordinary shares outstanding because the restricted ordinary shareholders must return the restricted ordinary shares to the Company, if the specified condition are not met.

Diluted loss per share is calculated by dividing net loss attributable to ordinary shareholders, as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of shares issuable upon the conversion of the preferred shares and shares issuable upon the exercise of warrants, and ordinary shares issuable upon the vest of restricted ordinary shares or exercise of outstanding share option (using the treasury stock method). Ordinary equivalent shares are calculated based on the most advantageous conversion rate or exercise price from the standpoint of the security holder. Ordinary equivalent shares are not included in the denominator of the diluted loss per share calculation when inclusion of such shares would be anti-dilutive.

(ee) Segment Reporting

The Company's chief operating decision maker has been identified as the chief executive officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. For the purpose of internal reporting and management's operation review, the Company's chief executive officer and management personnel do not segregate the Group's business by product or service. All products and services are viewed as in one and the only operating segment.

(ff) Treasury Stock

The Company accounts for treasury stock using the cost method. Under this method, the cost incurred to purchase the stock is recorded in the treasury stock account on the consolidated balance sheets. At retirement of the treasury stock, the ordinary shares account is charged only for the aggregate par value of the shares. The excess of the acquisition cost of treasury stock over the aggregate par value is allocated between additional paid-in capital and retained earnings.

(gg) Statutory Reserves

In accordance with the PRC Company Laws, the Group's PRC subsidiary, VIE and VIE's subsidiaries must make appropriations from their after-tax profits as determined under the generally accepted accounting principles in the PRC ("PRC GAAP") to non-distributable reserve funds including statutory surplus fund and discretionary surplus fund. The appropriation to the statutory surplus fund must be 10% of the after-tax profits as determined under PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of the PRC companies. Appropriation to the discretionary surplus fund is made at the discretion of the PRC companies.

The statutory surplus fund and discretionary surplus fund are restricted for use. They may only be applied to offset losses or increase the registered capital of the respective companies. These reserves are not allowed to be transferred to the Company by way of cash dividends, loans or advances, nor can they be distributed except for liquidation.

During the years ended December 31, 2024 and 2025, no profit appropriation to statutory surplus fund for the Group's entities incorporated in the PRC. No appropriation to discretionary surplus fund was made for any of the periods presented by the Group's PRC subsidiary, VIE and VIE's subsidiaries.

(hh) Impact of newly adopted accounting pronouncement

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. This guidance also requires certain disclosures for equity securities subject to contractual sale restrictions. The new guidance is required to be applied prospectively with any adjustments from the adoption of the amendments recognized in earnings and disclosed on the date of adoption. This guidance is effective for the Company for the year ending December 31, 2025 and interim reporting periods during the year ending December 31, 2025. Early adoption is permitted. The Company adopted this guidance for the fiscal year ended December 31, 2025 with no material impact on the Company's consolidated financial statements.

In March 2023, the FASB issued ASU No. 2023-02, *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*, that is intended to improve the accounting and disclosures for investments in tax credit structures. This ASU allows reporting entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for all entities in any interim period. The Company adopted this guidance for the fiscal year ended December 31, 2025 with no material impact on the Company's consolidated financial statements.

(ii) Recently issued accounting pronouncements not yet adopted

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*. This standard was issued in response to the SEC's disclosure update and simplification initiative, which affects a variety of topics within the Accounting Standards Codification. The amendments apply to all reporting entities within the scope of the affected topics unless otherwise indicated. The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The Company is currently evaluating the impact this guidance will have on its financial statement disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which improves income tax disclosures. The amendments require the disclosure of specific categories in the rate reconciliation and additional information for reconciling items that meet a quantitative threshold. The amendments also require disaggregated information about the amount of income taxes paid (net of refunds received), Income (or loss) from continuing operations before income tax expense (or benefit) and Income tax expense (or benefit) from continuing operations. The new guidance is required to be applied either prospectively or retrospectively. This guidance is effective for the Company for the year ending March 31, 2026. Early adoption is permitted. The Company is evaluating the impact of the adoption of this guidance.

In March 2024, the Securities and Exchange Commission issued *The Enhancement and Standardization of Climate - Related Disclosures for Investors,* which requires entities to provide information of certain climate - related information. This update will be effective for the Company's fiscal years beginning in 2027. The Company is currently in the process of evaluating the disclosure impact.

In November 2024, the FASB issued ASU2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. The standard will require additional disclosure of the nature of expenses included in the income statement in response to longstanding requests from investors for more information about an entity's expenses. The new standard requires disclosures about specific types of expenses included in the expense captions presented on the face of the income statement as well as disclosures about selling expenses. ASU2024-03 applies to all public business entities and is effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods within annual reporting periods beginning after December 15, 2027. The requirements will be applied prospectively with the option for retrospective application. Early adoption is permitted. We are evaluating this standard to determine if adoption will have a material impact on our consolidated financial statements.

In May 2025, the FASB issued ASU 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets,* which provides a simplified practical expedient for the measurement of expected credit losses (CECL) for accounts receivable and contract assets. The amendments allow entities to use a simplified approach to measure credit losses for certain accounts receivable and contract assets, reducing the complexity of accounting treatment. The new guidance is applied prospectively. This guidance is effective for entities for the fiscal years and interim periods beginning after December 15, 2025. Early adoption is permitted. The Company is evaluating the impact of the adoption of this guidance.

In June 2025, the FASB issued ASU 2025-06, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*, which optimizes the boundary between capitalization and expensing of internal-use software. The amendments clarify the accounting treatment of implementation costs related to cloud service arrangements and internal-use software, specifying which costs can be capitalized and which should be expensed as incurred. The new guidance is applied prospectively. This guidance is effective for public business entities for the fiscal years beginning after December 15, 2026, and for non-public business entities for the fiscal years beginning after December 15, 2027. Early adoption is permitted. The Company is evaluating the impact of the adoption of this guidance.

In October 2025, the FASB issued ASU 2025-10, *Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities*, which establishes an accounting model for government grants received by business entities for the first time (referring to IAS 20). The amendments set the recognition threshold that grants are recognized when it is probable that the conditions will be met and the grants will be received, and distinguish between asset-related and income-related grants, specifying their respective accounting treatments. The new guidance is applied retrospectively. This guidance is effective for entities for the fiscal years beginning after December 15, 2027. Early adoption is permitted. The Company is evaluating the impact of the adoption of this guidance.

In December 2025, the FASB issued ASU 2025-12, *Codification Improvements*, which includes 33 minor amendments to the FASB Accounting Standards Codification. The amendments involve earnings per share (EPS) (calculation of diluted EPS when there is a loss), leases (disclosure of receivables from sales-type/direct financing leases), transfer of receivables (application of Topic 860 (Transfers and Servicing of Financial Assets) to the transfer of receivables from customer contracts), and treasury stock (accounting methods for the retirement of treasury stock), correcting minor inconsistencies and improving the clarity of the codification. The new guidance is applied retrospectively where applicable. This guidance is effective for entities for the fiscal years beginning after December 15, 2026. Early adoption is permitted. The Company is evaluating the impact of the adoption of this guidance.

3. BUSINESS ACQUISITION

The Company accounted for its acquisition in accordance with ASC 805, "Business Combination" ("ASC 805"). The result of the acquiree's operation has been included in the consolidated financial statements since the acquisition date. The excess of the fair value of the consideration transferred over the fair value of net tangible and intangible assets acquired was recorded as goodwill, which is not deductible for corporate income taxation purposes.

On December 8, 2021, the Company entered into a share purchase agreement with all of the selling shareholders of Zhuge Inc. to acquire 100% equity interests of Zhuge Inc. in exchange for RMB93.5 million consideration in cash and 30,463 ordinary shares of the Company. Zhuge Inc. mainly provided professional data intelligence solutions, and the Group expected to generate synergy with the Cloud-based CC service line after the closing of acquisition. The Group obtained the control of Zhuge Inc. on December 22, 2021 and paid off the cash consideration of RMB93.5 million as of December 31, 2023.

The acquisition was recorded as a business combination. The Group determined the fair values of assets acquired and liabilities assumed for this acquisition with assistance of an independent appraiser. The goodwill resulting from the acquisition is primarily attributable to the assembled workforce and established network of customers around China. The acquired goodwill is not deductible for tax purposes. A summary of identifiable assets acquired and liabilities assumed in connection with the acquisition is as follows:

Purchase consideration:	**RMB**
cash	93,511
Fair value of 30,463 ordinary shares	300
	93,811

Recognized amounts of identifiable assets acquired and liabilities assumed:	**December 31, 2021**
Cash	6,551
Accounts receivable	815
Prepaid expenses and other current assets	635
Property and equipment, net	19
Intangible assets	
Trademark	2,840
Non-compete arrangements	720
Order backlogs	8,560
Customer relationship	-
Technology	6,400
Short-term loan	(5,500)
Accounts payable	(1,220)
Contract liabilities	(4,129)
Accrued expenses and other current liabilities	(12,780)
Deferred income tax liability	(4,630)
Long-term borrowings	(9,144)
Total identifiable assets acquired and liabilities assumed	(10,863)
Goodwill	104,674

The intangible assets consist of trademark, non-compete arrangements, order backlogs, customer relationship and Technology. The fair values of trademark of RMB2,840, non-competition arrangements of RM720, order backlogs of RMB8,560, and Technology of RMB6,400 are amortized over 10 years, 4 years, 4 years and 7 years, respectively on a straight-line basis.

Intangible assets and goodwill arising from the above acquisition was impaired to nil as of December 31, 2022.

The acquisition above did not have a material impact on the Group's consolidated financial statements, and, therefore, pro forma disclosures have not been presented.

4. CASH AND RESTRICTED CASH

A reconciliation of cash and restricted cash in the consolidated balance sheets to the amounts in the consolidated statement of cash flows is as follows:

	December 31,	
	2024	2025
	RMB	RMB
Cash	640,119	324,134
Restricted cash	10,396	28,107
Total cash and restricted cash shown in the consolidated statements of cash flows	**650,515**	**352,241**

The balances of restricted cash were mainly related to bank deposits for performance guarantee, which were restricted for use as of December 31, 2024 and 2025, and will be released from restriction within the next 12 months.

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following:

The movement of the allowance for credit loss including both account receivables due from third parties and a related party is as follows:

	December 31,	
	2024	2025
	RMB	RMB
Accounts receivable - third parties	204,502	231,534
Allowance for doubtful accounts - third parties	(84,128)	(91,883)
Accounts receivable - third parties, net	**120,374**	**139,651**
Accounts receivable – a related party	663	794
Allowance for doubtful accounts – a related party	(274)	(306)
Accounts receivable – a related party	**389**	**488**

Allowance for doubtful accounts - third parties	Year ended December 31,	
	2024	2025
	RMB	RMB
Balance at the beginning of the year	**99,523**	**84,128**
Additions charged to bad debt expense	(15,395)	7,755
Balance at the end of the year	**84,128**	**91,883**

Allowance for doubtful accounts –a related party	Year ended December 31,	
	2024	2025
	RMB	RMB
Balance at the beginning of the year	**124**	**274**
Additions charged to bad debt expense	150	32
Balance at the end of the year	**274**	**306**

The aging analysis table of allowance for credit loss is as follows:

	Year ended December 31,	
	2024	2025
	RMB	RMB
Within 1 year	(36,044)	(43,868)
Thereafter	(48,084)	(48,015)
Allowance for credit loss - third parties	**(84,128)**	**(91,883)**
Within 1 year	(274)	(306)
Allowance for credit loss - a related party	**(274)**	**(306)**

6. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as of December 31, 2024 and 2025 consisted of the following:

	December 31,	
	2024	2025
	RMB	RMB
Advance to suppliers	45,325	35,317
Deposits	11,951	13,094
Staff advances	848	1,004
Deductible input VAT	45,188	49,870
Receivables from third party payment platforms	550	1,241
Others	16,134	11,428
Prepayments and Other Current Assets	**119,996**	**111,954**

7. LONG-TERM INVESTMENTS

	For the year ended December 31,	
	2024	2025
	RMB	RMB
Equity method investments		
Shanghai Keshen Information Technology Co., Ltd.	13,168	12,363
Beijing Lingshang Chunding Technology Co., Ltd.	-	-
Shanghai Gaozhi Lefu Intelligent Technology Co., Ltd.	-	22
Total equity method investments	**13,168**	**12,385**
Other equity investments		
Shanghai Yuhuan Information System Co.Ltd.	18,784	18,784
Beijing Hujingtiaoyue Technology Co., Ltd.	11,000	11,000
Xinyu Hongling Investment Management Center (limited Partnership)	11,100	11,100
Total other equity investments	**40,884**	**40,884**
Total long-term investments	**54,052**	**53,269**

(a) Equity method investments

Investments in Shanghai Keshen

In November 2021, Ronglian Yitong aquired 20% equity interest of Shanghai Keshen Information Technology Co., Ltd. ("Shanghai Keshen"), which is principally engaged in technology development, technology transfer, technical consultation and technical services, at a cash consideration of RMB15 million. Ronglian Yitong has the right to appoint one out of three directors for the year ended December 31, 2021. The investments are accounted for under the equity method as Ronglian Yitong is able to exercise significant influence through its board representation. Ronglian Yitong recognized its share of loss of RMB981, share of gain of RMB3 and share of loss of RMB806 for the year ended December 31, 2023, 2024 and 2025. The Company performed an impairment analysis in 2023, 2024 and 2025, and no impairment loss was recognized related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

Investments in Beijing Lingshang

In January 2023, Ronglian Yitong aquired 20% equity interest of Beijing Lingshang Chunding Technology Co., Ltd. ("Beijing Lingshang"), which is principally engaged in intelligent voice product development, technology transfer, technical consultation and technical services, at a cash consideration of RMB5 million. Ronglian Yitong has the right to appoint one out of three directors for the year ended December 31, 2023. The investments are accounted for under the equity method as Ronglian Yitong is able to exercise significant influence through its board representation. Ronglian Yitong recognized its share of loss RMB489 for the year ended December 31, 2023. The Company performed an impairment analysis in 2023, and recognized RMB4,511 impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

Investments in Shanghai Gaozhi

In April 2025, Ronglian Yitong aquired 15% equity interest of Shanghai Gaozhi Lefu Intelligent Technology Co., Ltd., ("Shanghai Gaozhi"), which is principally engaged in technical services, technology development, technology transfer, technical consultation and technology promotion, at a cash consideration of RMB12 million. In December 2025, Shanghai Gaozhi entered into new financing agreements with new investors. After Shanghai Gaozhi's new financing, Ronglian Yitong's equity interest in Shanghai Gaozhi decreased to 13.5%. Ronglian Yitong has the right to appoint one out of three directors for the year ended December 31, 2025. The investments are accounted for under the equity method as Ronglian Yitong is able to exercise significant influence through its board representation. Ronglian Yitong recognized its share of loss RMB832 for the year ended December 31, 2025. The Company performed an impairment analysis in 2025, and recognized RMB11,145 impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

(b) Other equity investments

Investments in Hujingtiaoyue

In September 2017, Ronglian Yitong entered into a share purchase agreement to acquire 6.56% equity interest of Beijing Hujingtiaoyue Technology Co., Ltd. ("Hujingtiaoyue"), which is principally engaged in provision of artificial intelligence marketing solutions, at a cash consideration of RMB4,000. According to the shares purchase agreement, Ronglian Yitong, together with another shareholder, has the right to appoint one director. The Group accounts for its investment in Hujingtiaoyue as other equity investments since its investment is not in-substance common stock due to the liquidation preference feature, and does not have readily determinable fair value. The Group elected to measure other equity investments without a readily determinable fair value at cost adjusted for changes resulting from impairments, if any, and observable price changes in orderly transactions for the identical or similar securities of the same issuer.

In June 2018, Hujingtiaoyue entered into new financing agreements with new investors. After Hujingtiaoyue's new financing, Ronglian Yitong's equity interest in Hujingtiaoyue decreased to 5.45% and Ronglian Yitong, together with another shareholder, remains the right to appoint one director. The new financing provided an observable price for Ronglian Yitong's investment in Hujingtiaoyue and Ronglian Yitong evaluated the investment's carrying amount based on the observable price and recognized a gain of RMB100 from the change in fair value.

In May 2019, Hujingtiaoyue entered into new financing agreements with new investors. After Hujingtiaoyue's new financing, Ronglian Yitong's equity interest in Hujingtiaoyue further decreased to 4.29% and Ronglian Yitong, together with another shareholder, remains the right to appoint one director. The new financing provided an observable price for Ronglian Yitong's investments in Hujingtiaoyue and Ronglian Yitong evaluated this investment's carrying amount based on the observable price, and recognized a gain of RMB900 from the change in fair value.

In May 2021, Hujingtiaoyue conducted reorganization and setup Beijing Tanma Qifu Technolory Co., Ltd.("Beijing Tanma"), a new VIE. All shareholders of Hujingtiaoyue were transferred to Beijing Tanma, on a pro rate basis. Ronglian Yitong owned 4.29% equity interest in Beijing Tanma.

In October 2021 and December 2021, Beijing Tanma entered into new financing agreements with new investors. After Beijing Tanma's new financing, Ronglian Yitong's equity interest in Beijing Tanma further decreased to 2.45%. Since May 2021, Ronglian Yitong had no right to appoint any director due to reduction of equity interest. The new financing provided an observable price for Ronglian Yitong's investments in Hujingtiaoyue and Ronglian Yitong evaluated the investment's carrying amount based on the observable price, and recognized a gain of RMB8,000 from the change in fair value.

The new financing agreement with new investors provided the observable price for other equity investment and the fair value adjustment was determined primarily based on the market approach as of the transaction date, which takes into consideration a number of factors including recent financing pricing which shall be adjusted as similar securities to reflect difference in the rights and obligations between the equity security that was transacted and the equity security held by the Company, and discount rates from traded companies in the industry and requires the Company to make certain assumptions and estimates regarding industry factors. Specifically, some of the significant unobservable inputs
included discount of lack of marketability. The assumptions are inherently uncertain and subjective. Changes in any unobservable inputs may have a significant impact on the fair values.

In December 2023, 2024 and 2025, the Company recognized nil impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

Investments in Xinyu Hongling

In August 2021, Ronglian Yitong and other third party entities set up a limited partnership, Xinyu Hongling Investment Management Center (limited partnership) ("Xinyu Hongling"), which is mainly engaged in investment management and asset management, with a subscribed capital of RMB150 million. Xinyu Hongling's fund is used to invest in Xicheng Zhiyuan Digital Power Selection (Beijing) Investment Center (Limited Partnership) ("Xicheng Zhiyuan"), with a target subscription amount of RMB751 million. The subscribed capital contribution of Ronglian Yitong is RMB20,000, accounting for 13.33% and 2.66% of the registered capital of Xinyu Hongling and Xicheng Zhiyuan. According to the investment agreement, Ronglian Yitong does not have the right to appoint any directors. The Group accounts for its investment in Xinyu Hongling as other equity investments since its investment is not in-substance common stock due to the liquidation preference feature, and does not have readily determinable fair value. The Group elected to measure other equity investments without a readily determinable fair value at cost adjusted for changes resulting from impairments, if any, and observable price changes in orderly transactions for the identical or similar securities of the same issuer.

In December 2023, 2024 and 2025, the Company performed an impairment analysis, and recognized RMB3,500, nil and nil impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value.

Investments in Shanghai Yuhuan

The Company performed impairment analysis for Shanghai Yuhuan Information System Co., Ltd. ("ShanghaiYuhuan") in 2023, 2024 and 2025, and recognized nil impairment loss related to the investments without readily determinable fair value due to the lower-than-expected financial performance, and no other downward adjustment was related to the investments without readily determinable fair value. To estimate the fair value of investment in Shanghai Yuhuan, the Company used discounted cash flow model ("DCF Model"), which is based on the fair value of the entire invested capital of Shanghai Yuhuan using an income approach. The significant inputs for the valuation model include, but not limited to, future cash flows, discount rate, and the comparable selection set of companies operating in similar businesses.

8. PROPERTY AND EQUIPMENT, NET

Property and equipment as of December 31, 2024 and 2025 consisted of the following:

	December 31,	
	2024	2025
	RMB	RMB
Computer and office equipment	22,836	20,999
Furniture and fixtures	2,661	2,564
Motor vehicles	938	938
Leasehold improvement	5,448	5,702
Buildings	4,702	4,702
Property and Equipment	36,585	34,905
Less: Accumulated depreciation	28,412	28,817
Property and Equipment, net	8,173	6,088

Depreciation expenses were RMB5,383, RMB4,992 and RMB2,688 for the years ended December 31, 2023, 2024 and 2025, respectively.

Depreciation expenses on property and equipment were allocated to the following expense items:

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Cost of revenues	279	106	77
Research and development expenses	2,019	1,787	759
Selling and marketing expenses	1,299	1,712	912
General and administrative expenses	1,786	1,387	940
Total depreciation expenses	**5,383**	**4,992**	2,688

9. Lease

The Group has entered into various non-cancellable operating lease agreements for certain offices. The Group determines if an arrangement is a lease, or contains a lease, at inception and record the leases in the financial statements upon lease commencement, which is the date when the underlying asset is made available for use by the lessor.

The balances for the operating and finance leases where the Group is the lessee are presented as follows within the consolidated balance sheet:

Operating leases:	For the year ended December 31,		
	2024	2025	
	RMB(000)	RMB(000)	US$(000)
Assets:			
Right-of-use assets - operating lease	10,800	14,122	2,019
Liability:			
Current portion of operating lease liabilities	5,843	8,093	1,157
Non-current operating lease liabilities	4,731	3,785	541
Total operating lease liabilities	**10,574**	**11,878**	**1,698**

The components of lease expenses were as follows:

	For the year ended December 31,		
	2024	2025	
Lease Cost	**RMB(000)**	**RMB(000)**	**US$(000)**
Amortization of right-of-use assets	9,769	8,950	1,280
Interest of operating lease liabilities	2,719	1,755	251
Expenses for short-term leases within 12 months and other non-lease component	1,281	1,204	172
Total lease cost	**13,769**	**11,909**	**1,703**

As of December 31, 2024 and 2025, the weighted average remaining lease term was 2.32 and 1.86 years and weighted average discount rate was 5.49% and 6.00% for the Company's operating leases.

For the year ended December 31, 2023, 2024 and 2025, the Company recognized lease expense of RMB19,669 and RMB13,769, RMB11,909, respectively, under ASC 840.

Supplemental cash flow information related to leases where we are the lessee is as follows:

	For the year ended December 31,		
	2024	2025	
	RMB(000)	RMB(000)	US$(000)
Cash payments for operating leases	14,331	15,663	2,240
ROU assets obtained in exchange for operating lease liabilities	11,634	11,040	1,579

As of Dec 31, 2025, the maturities of our operating are as follows:

	Operating Lease	
Year ending December 31.	**RMB(000)**	**US$(000)**
2026	10,251	1,466
2027	3,168	453
2028	1,103	158
Total future lease payments	**14,522**	**2,077**
Less: Imputed interest	2,644	379
Total lease liability balance	**11,878**	**1,698**

As of Dec 31, 2024, the maturities of our operating are as follows:

	Operating Lease	
Year ending December 31.	**RMB(000)**	**US$(000)**
2025	7,849	1,075
2026	4,219	578
2027	1,321	181
Total future lease payments	**13,389**	**1,834**
Less: Imputed interest	2,815	385
Total lease liability balance	**10,574**	**1,449**

10. INTANGIBLE ASSETS, NET

The following table summarizes the Company's intangible assets, as of December 31, 2024 and 2025.

	December 31, 2024				
	Gross carrying amount	Accumulated amortization	Accumulated impairment	Net carrying amount	Weighted average amortization Period
	RMB	RMB	RMB	RMB	Years
Software copyrights	16,816	(12,687)	-	4,129	7.0
Telecommunication business operation licenses	2,882	(2,839)	-	43	4.0
Technology	14,865	(3,447)	(10,474)	944	7.0
Non-compete arrangements	805	(260)	(545)	-	4.0
Customer relationship	15,000	(4,271)	(5,586)	5,143	10.0
Trademark	8,472	(2,016)	(5,106)	1,350	9.0
Order backlogs	8,660	(2,223)	(6,437)	-	4.0
Total	**67,500**	**(27,743)**	**(28,148)**	**11,609**	

	December 31, 2025				
	Gross carrying amount	Accumulated amortization	Accumulated impairment	Net carrying amount	Weighted average amortization Period
	RMB	RMB	RMB	RMB	Years
Software copyrights	16,848	(13,494)	-	3,354	7.0
Telecommunication business operation licenses	2,527	(2,487)	-	40	4.0
Technology	14,865	(3,866)	(10,474)	525	7.0
Non-compete arrangements	805	(260)	(545)	-	4.0
Customer relationship	15,000	(5,094)	(5,586)	4,320	10.0
Trademark	8,472	(2,334)	(5,106)	1,032	9.0
Order backlogs	8,660	(2,223)	(6,437)	-	4.0
Total	**67,177**	**(29,758)**	**(28,148)**	**9,271**	

Amortization expenses for intangible assets were RMB3,392, RMB2,641 and RMB2,370 for the years ended December 31, 2023, 2024 and 2025, respectively.

The estimated amortization expense for the next five years is as follows:

	RMB
2026	2,375
2027	2,017
2028	1,749
2029	1,405
2030	1,220
Then thereafter	505

11. GOODWILL

The change in the carrying amount of goodwill by reporting unit is as follows:

	Acquisition of			
	Guohebing	Zhuge Inc.	Molun SAAS	Total
	RMB	RMB	RMB	RMB
Balance as of December 31, 2023	**54,427**	**-**	**-**	**54,427**
Additions	-	-	-	-
Impairment	-	-	-	-
Balance as of December 31, 2024	**54,427**	**-**	**-**	**54,427**
Additions	-	-	-	-
Impairment	-	-	-	-
Balance as of December 31, 2025	**54,427**	**-**	**-**	**54,427**

In the annual goodwill impairment assessment, the Company concluded that the respective fair value of the reporting units exceeded its carrying amount and no impairment losses was recorded during the years ended December 31, 2023, 2024 and 2025, respectively. The fair value of the reporting unit was determined using the market value approach.

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31,	
	2024	2025
	RMB	RMB
Accrued payroll and social insurance	42,547	61,505
Taxes payable	32,383	35,521
Deposits of BNY MELLON	19,016	-
Deposits	218	379
Staff reimbursements	4,915	3,756
Other payables	1,930	1,514
Accrued expenses and other current liabilities	**101,009**	**102,675**

13. SHARE-BASED COMPENSATION

Restricted ordinary shares

In January 2021, the Company adopted a second share option Plan ("2021 Share Plan"), under which the maximum aggregate number of Class A ordinary shares that may be issued pursuant to all awards under such plan is 15,144,221. The ordinary shares became restricted with a vesting schedule of four years. Under the 2021 Share Plan, 6,430,000, 1,802,351ordinary shares were granted to employees for the years ended December 31, 2024 and 2025, respectively.

In March 2021, the Company offered certain management members of EliteCRM 2,411,177 ordinary shares, which become restricted with a graded vesting as to 1/2 of the restricted ordinary shares vest on the first anniversary of March 22, 2022 and with the remaining 1/2 of the restricted ordinary shares vesting on March 22, 2023. The fair value of the shares of US$23,883 are amortized to consolidated statements of comprehensive loss over the vesting term of two years.

A summary of the Company's restricted ordinary shares held by the Company's employees for the years ended December 31, 2024 and 2025 is presented below:

	Number of shares	Weighted average grant date fair value
Unvested as of January 1, 2024	**2,802,977**	**4.62**
Granted	6,430,000	0.54
Vested	(906,732)	0.89
Forfeited	(87,225)	1.76
Unvested as of December 31, 2024	**8,239,020**	**1.88**
Granted	1,802,351	0.57
Vested	(2,541,677)	0.67
Forfeited	(18,816)	0.57
Unvested as of December 31, 2025	**7,480,878**	**1.98**

Total compensation expenses recognized for restricted ordinary shares for the years ended December 31, 2023, 2024 and 2025 were allocated to the following expense items:

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Research and development expenses	654	(545)	2,013
General and administrative expenses	10,868	1,828	2,529
Selling and marketing expenses	1,851	10,968	7,969
Total restricted ordinary shares compensation expenses	**13,373**	**12,251**	**12,511**

As of December 31, 2025, total unrecognized compensation expense related to restricted ordinary shares were RMB11,126 until 2029. The restricted ordinary shares are expected to be recognized over a weighted average period of approximately 2.63 years.

Shares Options

In January 2017, the Company's shareholders and board of directors approved a share option Plan ("2016 Share Plan''), under which a maximum aggregate number of 21,119,408 ordinary shares may be issued pursuant to all awards to be granted. In September 2018, the Company's shareholders and board of directors approved that the maximum aggregate number of ordinary shares may be issued under 2016 Share Plan shall be modified to 25,838,502 pre-offering Class A Ordinary Shares. In March 2020 and July 2020, the Company's shareholders and board of directors approved that the maximum aggregate number of ordinary shares may be issued under 2016 Share Plan shall be modified to 26,419,211 and 29,525,465 pre-offering Class A Ordinary Shares, respectively.

In addition, the options may be exercised with respect to 25% to 50% of the shares subject to the options as of the first anniversary of the vesting commencement date with the remaining shares subject to the options shall become vested in equal monthly installments over a period of 12-36 months thereafter. Share options were granted with exercise prices ranging from US$0.01 to US$0.38 and will expire 10 years from the grant dates.

Under the 2016 Share Plan, 1,000,000 and nil share options were granted to employees, officers, and board members for the years ended December 31, 2024 and 2025, respectively. A summary of the share options activities for the years ended December 31, 2024 and 2025 is presented below:

	Number of shares	Weighted average exercise price	Weighted remaining contractual years	Aggregate intrinsic value
		US$		US$
Outstanding as of January 1, 2024	**13,141,586**	**0.26**		
Granted	**1,000,000**	**0.38**		
Forfeited	(736,690)	0.15		
Exercised	(1,018,889)	0.19		
Outstanding as of December 31, 2024 and 2025	**12,386,007**	**0.28**		
Vested and expected to vest as of December 31, 2025	**12,386,007**	**0.28**	**2.61**	**24,278**
Exercisable as of December 31, 2025	**11,499,929**	**0.25**	**1.74**	**24,016**

The fair values of the options granted are estimated on the dates of grant using the binomial option pricing model with the following assumptions used:

Grant dates:	Year ended December 31, 2024
Risk free rate of return	2.5%
Volatility	45.0%
Expected dividend yield	0%
Exercise multiple	2.20
Fair value of underlying ordinary share	US$0.30- US$0.52
Expiration terms	10 years

The expected volatility was estimated based on the historical volatility of comparable peer public companies with a time horizon close to the expected term of the Company's options. The risk-free interest rate was estimated based on the yield to maturity of U.S. treasury bonds denominated in US$ for a term consistent with the expected term of the Company's options in effect at the option valuation date. Expected dividend yield is zero as the Company does not anticipate any dividend payments in the foreseeable future. The expected exercise multiple was estimated as the average ratio of the stock price to the exercise price of when employees would decide to voluntarily exercise their vested options. As the Company did not have sufficient information of past employee exercise history, it has considered the statistics on exercise patterns of employees compiled by Huddart and Lang in Huddart, S., and M. Lang. 1996. "Employee Stock Option Exercises: An Empirical Analysis." *Journal of Accounting and Economics*, vol. 21, no. 1 (February), pages 5-43, which are widely adopted by valuers as authoritative guidance on expected exercise multiples. Expected term is the contract life of the option.

Compensation expense recognized for share options during the years ended December 31,2023, 2024 and 2025 is allocated to the following expense items:

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Cost of revenues	3	-	-
Research and development expenses	1,006	55	-
Selling and marketing expenses	6,068	345	1
General and administrative expenses	1,788	1,653	681
Total share option compensation expenses	**8,865**	**2,053**	**682**

As of December 31, 2025, RMB430 of total unrecognized compensation expense related to share options that are expected to be recognized until 2028. The share options are expected to be recognized over a weighted average period of approximately 2.08 years.

14. FAIR VALUE MEASUREMENT

The following tables present the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2023, 2024 and 2025 respectively:

	December 31, 2023			
RMB	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets				
Short-term investments	-	-	422,559	422,559

	December 31, 2024			
RMB	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets				
Short-term investments	-	-	291,280	291,280

	December 31, 2025			
RMB	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets				
Short-term investments	-	-	359,734	359,734

The table below reflects the reconciliation from the opening balances to the closing balances for recurring fair value measurements of the fair value hierarchy for the years ended December 31, 2023, 2024 and 2025:

				Year ended December 31, 2023			
				Gain or Losses			
RMB	January 1, 2023	Purchase/ Issue	Sell / Exercise	Included in earnings	Included in other comprehensive loss	Foreign currency translation adjustment included in other comprehensive loss	December 31, 2023
Assets							
Short term investments	412,031	28,187	24,663	563	-	6,441	422,559

				Year ended December 31, 2024			
				Gain or Losses			
RMB	January 1, 2024	Purchase/ Issue	Sell / Exercise	Included in earnings	Included in other comprehensive loss	Foreign currency translation adjustment included in other comprehensive loss	December 31, 2024
Assets							
Short term investments	422,559	222,036	357,825	11,859	-	(7,349)	291,280

				Year ended December 31, 2025			
				Gain or Losses			
RMB	January 1, 2025	Purchase/ Issue	Sell / Exercise	Included in earnings	Included in other comprehensive loss	Foreign currency translation adjustment included in other comprehensive loss	December 31, 2025
Assets							
Short term investments	291,280	434,551	358,732	10,423	-	(17,788)	359,734

15. INCOME TAX

a) Income tax

The Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

No stamp duty is payable in respect of the issue of the shares or on an instrument of transfer in respect of a share.

Hong Kong S.A.R.

Under the current Hong Kong S.A.R. Inland Revenue Ordinance, the Company's Hong Kong S.A.R. subsidiary is subject to Hong Kong S.A.R. profits tax at the rate of 16.5% on its taxable income generated from the operations in Hong Kong S.A.R. Payments of dividends by the Hong Kong S.A.R. subsidiary to the Company is not subject to withholding tax in Hong Kong S.A.R. A two-tiered profits tax rates regime was introduced in 2018 where the first HK$2 million of assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) whilst the remaining profits will continue to be taxed at 16.5%. There is an anti-fragmentation measure where each group will have to nominate only one company in the group to benefit from the progressive rates. No provision for Hong Kong profits tax has been made in the financial statements as the subsidiary in Hong Kong has no assessable profits for the years ended December 31, 2023, 2024 and 2025.

Japan

The Company's Japan subsidiary, Cloopen Japan Co., Ltd., is subject to Japanese corporation tax (including national corporation tax, local enterprise tax and other income-based taxes) on its worldwide income. The statutory effective tax rate is approximately 30% to 34%, depending on the size of the company.

Dividends paid by a Japanese company are generally subject to Japanese withholding tax. If the Japanese company paying dividends is a non-listed company and the payee is a non-resident of Japan, the rate of such withholding tax is 20.42% under Japanese Tax law. The Company enjoys preferential withholding tax rate of 10% under Japan-China tax treaty.

The PRC

The Group's PRC subsidiaries, the VIE, and the VIE's subsidiaries are subject to the PRC Corporate Income Tax Law ("CIT Law") and are taxed at the statutory income tax rate of 25%, unless otherwise specified.

In March 2007, a new enterprise income tax law (the "New EIT Law") in the PRC was enacted which became effective on January 1, 2008. The New EIT Law applies a unified 25% enterprise income tax ("EIT") rate to both foreign invested enterprises and domestic enterprises, unless a preferential EIT rate is otherwise stipulated. On April 14, 2008, relevant governmental regulatory authorities released further qualification criteria, application procedures and assessment processes for meeting the High and New Technology Enterprise ("HNTE") status under the New EIT Law which would entitle qualified and approved entities to a favorable EIT tax rate of 15%. In April 2009 and June 2017, the State Administration for Taxation ("SAT") issued Circular Guoshuihan (2009) No. 203 ("Circular 203") and SAT Announcement (2017) No. 24 ("Announcement 24") stipulating that the entities which qualified for the HNTE status should apply with in-charge tax authorities to enjoy the reduced EIT rate of 15% provided under the New EIT Law starting from the year when the new HNTE certificate becomes effective. The HNTE certificate is effective for a period of three years and can be renewed for another three years. Subsequently, an entity needs to re-apply for the HNTE status in order to be able to enjoy the preferential tax rate of 15%.

Ronglian 7Moor obtained the HNTE certificate in December 2016, and subsequently renewed the HNTE certificate in October 2019, November 2022 and October 2025. Thus, Ronglian 7Moor is entitled to a preferential tax rate of 15% from 2016 to 2027.

Beijing Yunrong Tianxia Technology Co., Ltd., a subsidiary of the Company, obtained the HNTE certificates in December 2017 and subsequently renewed the HNTE Certificate in October 2020 and October 2023. Thus, it was entitled to the preferential tax rate of 15% from 2017 to 2025.

Ronglian Yitong, a subsidiary of the Company, obtained the HNTE certificate in September 2015 and subsequently renewed the HNTE certificate in September 2018, December 2021 and December 2024. Thus, it was entitled to the preferential tax rate of 15% from 2015 to 2026.

Beijing Ronglian Huitong Technology Co., Ltd. ("Beijing Ronglian Huitong") and Shenzhen Zhongtian Wangjing Technology Co., Ltd. ("Shenzhen Zhongtian Wangjing"), subsidiaries of the Company, obtained the HNTE certificates in December 2019. Thus, they are entitled to the preferential tax rate of 15% from 2019 to 2021. Beijing Ronglian Huitong renewed its HNTE status in December 2021 and August 2023, and is entitled to a preferential tax rate of 15% from 2022 to 2024. In December 2022, Shenzhen Zhongtian Wangjing renewed its HNTE status which entitled it to the preferential income tax rate of 15% from 2022 to 2024. Due to business scope change, they have no plan to renew the HNTE certificates and could not entitle to the preferential tax rate of 15% after the HNTE certificate became void from January 1, 2025.

Shanghai Guohebing Information Technology Co., Ltd., a subsidiary of the Company, obtained the HNTE certificate in December 2024. Thus, it was entitled to the preferential tax rate of 15% from 2024 to 2026.

Zhuge Yunyou, a subsidiary of the Company, obtained the HNTE certificate in October 2021 and subsequently renewed the HNTE certificate in December 2024. Thus, it was entitled to the preferential tax rate of 15% from 2021 to 2026.

If any entities fail to maintain the HNTE qualification under the New EIT Law, they will no longer qualify for the preferential tax rate of 15%.

The CIT Law also provides that an enterprise established under the laws of a foreign country or region but whose "de facto management body" is located in the PRC be treated as a resident enterprise for the PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the CIT Law define the location of the "de facto management body" as "the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, property, etc., of a non-PRC company is located." Based on a review of surrounding facts and circumstances, the Group does not believe that it is likely that its operations outside the PRC should be considered a resident enterprise for PRC tax purposes.

The components of loss before income taxes are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
The Cayman Islands*	(69,414)	(13,599)	(23,846)
Hong Kong S.A.R*	3,397	35,238	6,429
Japan*	(19,507)	(10,690)	(8,206)
The PRC, excluding Hong Kong S.A.R.	(327,414)	(158,092)	(213,998)
Total	**(412,938)**	**(147,143)**	**(239,621)**

* Non-PRC entities not subject to income tax

Withholding tax on undistributed dividends

The CIT law also imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise ("FIE") to its immediate holding company outside of Mainland China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within Mainland China or if the received dividends have no connection with the establishment or place of such immediate holding company within Mainland China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. The Cayman Islands, where the Company is incorporated, does not have such tax treaty with the PRC. According to the arrangement between Mainland China and Hong Kong S.A.R. on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in Mainland China to its immediate holding company in Hong Kong S.A.R. will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). The Group did not record any dividend withholding tax, as the Group's PRC entities, have no retained earnings in any of the years presented.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on interest income from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group applies a preferential withholding tax rate of 7% due to a tax treaty between Mainland China and the jurisdiction of the foreign investors.

Income tax expense recognized in the consolidated statements of comprehensive loss consists of the following:

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Current income tax expense	(135)	74	(430)
Deferred income tax benefit (expense)	(429)	(390)	(390)
Total income tax expense	**(564)**	**(316)**	**(820)**

Reconciliation of the differences between the income tax benefit computed based on the PRC statutory income tax rate and the Group's income tax expense for the years ended December 31, 2023, 2024 and 2025 are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Computed expected income tax benefit	**(103,234)**	**(36,786)**	**(59,905)**
Non-deductible expenses / taxable deemed income			
Share-based compensation	5,560	3,576	3,298
Non-deductible entertainment	1,264	802	326
Taxable deemed interest income from inter-company interest-free loans	1,828	1,633	983
Employee commercial Insurance	208	271	203
Selling Commission	1,057	1,016	233
Others	167	97	9
Non-PRC entities not subject to income tax	16,571	1,044	555
Effect of income tax rate differences in jurisdictions other than the PRC	(282)	(345)	(546)
Over provision in respect of prior years	36	(65)	(596)
NOL expired	34,921	18,292	10,911
Amortization of intangible assets formed by business combinations	(429)	(390)	(390)
Others	(2,759)	(1,725)	(2,212)
Changes in valuation allowance	44,528	12,264	46,311
Actual income tax expense	**(564)**	**(316)**	**(820)**

b) Deferred income tax assets

	December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Net operating loss carry forwards	388,065	398,464	445,204
Un-invoiced expenditures	9,867	9,867	9,867
Accounts receivable and contract assets allowance	26,561	25,711	26,132
Other equity investments impairment	10,278	10,278	9,969
Goodwill impairment	55,534	55,534	55,534
Share of losses of equity method investments	980	979	1,388
Others	3,199	5,915	4,965
Less: Valuation allowance	(487,834)	(500,098)	(546,409)
Total deferred income tax assets, net	**6,650**	**6,650**	**6,650**
Intangible assets	(857)	(466)	(76)
Change in fair value of other equity investments	(6,650)	(6,650)	(6,650)
Total gross deferred income tax liabilities	**(7,507)**	**(7,116)**	**(6,726)**
Net deferred income tax assets	**(857)**	**(466)**	**(76)**

As of December 31, 2025, the Group had net operating loss carry forwards of approximately RMB2,097 million attributable to the PRC and Hong Kong S.A.R. subsidiaries, the VIE, and the VIE's subsidiaries. The loss carried forward by the PRC companies will expire during the period from year 2026 to year 2035. As of December 31, 2025, the Group had tax loss carry forwards for PRC and Hong Kong S.A.R. income tax purpose of RMB 2,096,898 which will expire if unused by the following year-end:

Year ending December 31,	**RMB**
2026	339,156
2027	328,457
2028	176,069
2029	225,616
2030	420,323
Then thereafter	607,277
Total	**2,096,898**

A valuation allowance is provided against deferred income tax assets when the Group determines that it is more likely than not that the deferred income tax assets will not be utilized in the foreseeable future. In making such determination, the Group evaluates a variety of factors including the Group's operating history, accumulated deficit, existence of taxable temporary differences and reversal periods.

As of December 31, 2025, the valuation allowance of RMB 546,409 was related to the deferred income tax assets of the PRC and Hong Kong S.A.R. entities which were in loss position. As of December 31, 2025, management believes it is more likely than not that the Group will realize the deferred income tax assets, net of the valuation allowance.

Changes in valuation allowance are as follows:

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB	**RMB**	**RMB**
Balance at the beginning of the year	(443,306)	(487,834)	(500,098)
Additions	(44,528)	(12,264)	(46,311)
Balance at the end of the year	**(487,834)**	**(500,098)**	**(546,409)**

According to the PRC Tax Administration and Collection Law, the statute of limitation is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitation is extended to five years under special circumstances where the underpayment of taxes is more than RMB100. In the case of transfer pricing issues, the statute of limitation is 10 years. There is no statute of limitation in the case of tax evasion. The income tax returns of the Company's PRC subsidiary, the VIE and the VIE's subsidiaries for the years from 2020 to 2025 are open to examination by the PRC tax authorities.

16. NET LOSS PER SHARE

The following table sets forth the basic and diluted net loss per ordinary share computation and provides a reconciliation of the numerator and denominator for the years presented:

	Year ended December 31,	
	2024	2025
	RMB	RMB
Numerator:		
Net loss	(142,757)	(239,350)
Numerator for basic and diluted net loss per ordinary share calculation	**(142,757)**	**(239,350)**
Denominator:		
Weighted average number of Class A and Class B ordinary shares	322,945,205	323,149,126
Denominator for basic and diluted net loss per ordinary share calculation	**322,945,205**	**323,149,126**
Net loss per ordinary share attributable to pre-offering Class A and pre-offering Class B ordinary shareholders		
—Basic and diluted	(0.44)	(0.74)

Securities that could potentially dilute basic net loss per ordinary share in the future that were not included in the computation of diluted net loss per ordinary share because to do so would have been antidilutive for the years ended December 31, 2024 and 2025 are as follow:

	Year ended December 31,	
	2024	2025
Share options	12,386,007	12,386,007
Restricted ordinary shares	8,239,020	7,480,878

17. REVENUE INFORMATION

Revenues

The Group's revenues are disaggregated by major products/services lines, timing of revenue recognition and primary geographical markets (based on the location of customers) as follow:

Major products/services lines	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
CPaaS			
- Text messaging	136,654	132,242	80,927
- Voice calls	25,958	35,708	42,739
- Others (Note 1)	32,799	21,457	25,001
Cloud-based CC	256,961	268,081	219,168
Cloud-based UC&C	117,554	116,078	162,821
Other services	1,098.00	-	5,053
Revenues	**571,024**	**573,566**	**535,709**

Note 1: Others mainly include CPaaS revenue from the customers' use of the Group's Internet of Things (IoT) and jointly-operated CPaaS platforms.

Timing of revenue recognition	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Point in time	331,220	301,480	226,720
Over time	239,804	272,086	308,989
Revenues	**571,024**	**573,566**	**535,709**

Primary geographical markets (based on the location of customers)	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
The PRC	539,867	543,774	512,204
Japan	31,157	29,792	23,505
Revenues	**571,024**	**573,566**	**535,709**

Revenue based on a gross basis/ net basis	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
On a gross basis	555,409	558,926	524,935
On a net basis	15,615	14,640	10,774
Revenues	**571,024**	**573,566**	**535,709**

Contract Assets and Contract Liabilities

The Group's contract assets and contract liabilities as of December 31, 2023, 2024 and 2025 are as follows:

	December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Contract assets	26,107	27,752	57,290
Contract liabilities	363,228	306,112	299,483

The contract assets primarily relate to the Group's rights to consideration for work performed but not invoiced at the reporting date on Cloud-based UC&C projects and Cloud-based CC projects. The contract assets are transferred to receivables when the rights to consideration become unconditional.

The contract liabilities primarily related to the advanced consideration received from customers in relation to the subsequent provision of Cloud-based CC services and CPaaS solutions. The contract liabilities will be recognized as revenue when the Group fulfills its performance obligations to transfer the promised products or services to customers, which is expected to occur within one year.

Changes in the contract assets balances for the years ended December 31, 2023, 2024 and 2025 are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Gross amount at the beginning of the year	63,144	36,469	49,484
Increases due to revenue recognized during the year	27,787	44,616	45,577
Transfers to accounts receivable during the year	(54,462)	(31,601)	(21,024)
Gross amount at the end of the year	**36,469**	**49,484**	**74,037**
Allowance for credit loss of contract assets	(10,362)	(21,732)	(16,747)
Contract assets, net	**26,107**	**27,752**	**57,290**

The movement of the allowance for contract assets is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Balance at the beginning of the year	12,306	10,362	21,732
Additions charged to credit loss	(1,944)	11,370	(4,985)
Balance at the end of the year	**10,362**	**21,732**	**16,747**

Changes in the contract liabilities balances for the years ended December 31, 2023, 2024 and 2025 are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Balance at the beginning of the year	359,801	363,228	306,112
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	(92,339)	(80,856)	(72,158)
Other operating income recognised that was included in the contract liabilities balance at the beginning of the period		(49,530)	-
Increase due to cash received, excluding amount recognized as revenue during the year	95,766	73,270	65,529
Balance at the end of the year	**363,228**	**306,112**	**299,483**

The amounts of revenue recognized for the years ended December 31, 2023, 2024 and 2025 that were included in the contract liabilities balances at the beginning of the year are RMB92,339 and RMB80,856, RMB72,158, respectively.

The Company has elected the practical expedient in ASC 606-10-50-14(a) to not disclose the information about remaining performance obligations which are part of contracts that have an original expected duration of one year or less.

18. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

From time to time, the Group is involved in claims and legal proceedings that arise in the ordinary course of business. The Group records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Based on currently available information, the Group has recorded accrued liabilities for class action of US$12,000 (equivalent to RMB83,575) in this regard as of December 31, 2022, and paid off the settlement amount as of December 31, 2023. On January 23, 2024, the Supreme Court of the State of New York issued an order granting final approval of the settlement and dismissing the claims the in the Sonny St. John action.

Purchase Commitment

The Group's purchase commitments primarily relate to purchase of software and equipment. Total purchase commitments contracted but not yet reflected in the consolidated financial statements as of December 31, 2025 were as follows:

Year ended December 31,	RMB
2026	31,871
2027 and thereafter	288

19. RELATED PARTY TRANSACTIONS

(i) Related Parties

Name of Related Parties	Relationship with the Company
Shanghai Keshen Information Technology Co., Ltd.	One of the Company's investment affiliates and the Company owns 20% equity interest and has significant influence since December 2021
Shenzhen City Yunjitong Technology Co., Ltd	One of the Company's investment affiliates and the Company owns 18.52% equity interest and has significant influence, which was disposed of in November 2025.
Shenyang Yunrongxin Technology Co., Ltd	One of the Company's investment affiliates and the Company owns 20% equity interest and has significant influence
Shanghai Gaozhi Lefu Intelligent Technology Co., Ltd.	One of the Company's investment affiliates and the Company owns 13.5% equity interest and has significant influence

(ii) The Company had the following related party transactions for the years ended December 31, 2023, 2024 and 2025:

	Note	Year ended December 31,		
		2023	2024	2025
		RMB	RMB	RMB
Cloud-based UC&C services provided to a related party:				
-Shanghai Keshen Information Technology Co., Ltd.	(a)	6	-	-
CPaaS services provided to related parties:				
-Shenyang Yunrongxin Technology Co., Ltd	(b)	913	162	334
-Shenzhen City Yunjitong Technology Co., Ltd	(b)	-	1	-
-Shanghai Gaozhi Lefu Intelligent Technology Co., Ltd.	(b)	-	-	3
Project development services purchased from related parties:				
-Shenyang Yunrongxin Technology Co., Ltd	(c)	321	-	-
-Shanghai Keshen Information Technology Co., Ltd.	(c)	3,302	1,981	2,161
Business process outsourcing (BPO) services purchased from a related party:				
-Shanghai Gaozhi Lefu Intelligent Technology Co., Ltd.	(c)	-	-	171

(a) Cloud-based UC&C services provided to a related party

The Company provided Cloud-based UC&C services to subsidiaries of Shanghai Keshen Information Technology Co., Ltd ("Shanghai Keshen"). Revenues of RMB6, nil and nil, were recorded in the consolidated statements of comprehensive loss for the year ended December 31, 2023, 2024 and 2025. Amounts due to Shanghai Keshen were RMB62 and RMB62, which were deposits as of December 31, 2024 and 2025, respectively.

(b) CPaaS services provided to related parties

The Company provided CPaaS services to Shenyang Yunrongxin Technology Co., Ltd ("Shenyang Yunrongxin"). Revenues of RMB913, RMB162 and RMB334 were recorded in the consolidated statements of comprehensive loss for the years ended December 31, 2023, 2024 and 2025, respectively. Amounts due from Shenyang Yunrongxin were RMB389 and RMB488 as of December 31, 2024 and 2025, which are included in accounts receivable - a related party, net on the consolidated balance sheets, respectively.

The Company provided CPaaS services to Shenzhen City Yunjitong Technology Co., Ltd ("Shenzhen City Yunjitong"). Revenues of nil, RMB1 and nil were recorded in the consolidated statements of comprehensive loss for the years ended December 31, 2023, 2024 and 2025, respectively. Amounts due to Shenzhen City Yunjitong were RMB1 and nil as of December 31, 2024 and 2025, which are included in accounts amounts due to related parties on the consolidated balance sheets.

The Company provided CPaaS services to Shanghai Gaozhi Lefu Intelligent Technology Co., Ltd ("Shanghai Gaozhi Lefu"). Revenues of nil, nil and RMB3 were recorded in the consolidated statements of comprehensive loss for the years ended December 31, 2023, 2024 and 2025, respectively.

(c) Outsourcing services purchased from related parties

The Company purchased from Shenyang Yunrongxin project development services, which is included in cost of revenues of RMB321, nil and nil, for the years ended December 31, 2023, 2024 and 2025, respectively. Amounts due to Shenyang Yunrongxin were RMB91 and RMB228 as of December 31, 2024 and 2025, which are included in accounts amounts due to related parties on the consolidated balance sheets.

The Company purchased project development services from Shanghai Keshen, which is included in cost of revenues of RMB3,302, RMB1,981 and RMB2,161, for the years ended December 31, 2023, 2024 and 2025, respectively. Amounts due from Shanghai Keshen were RMB2,590 and RMB3,345, which were prepayment of project development services fee as of December 31, 2024 and 2025, respectively.

The Company purchased business process outsourcing (BPO) services from Shanghai Gaozhi Lefu, which is included in cost of revenues of nil, nil and RMB171, for the years ended December 31, 2023, 2024 and 2025, respectively. Amounts due from Shanghai Gaozhi Lefu were nil and RMB101, which were prepayment of BPO services fee as of December 31, 2024 and 2025, respectively.

(iii) The Company had the following related party balances as of December 31, 2024 and 2025:

	Notes	2024	2025
		RMB	RMB
Accounts receivable – a related party, net:			
-Shenyang Yunrongxin Technology Co., Ltd	(b)	389	488
Amounts due from a related party:			
-Shanghai Keshen Information Technology Co., Ltd.	(c)	2,590	3,345
Total amounts due from a related party		2,590	3,345
Amounts due to related parties:			
-Shenyang Yunrongxin Technology Co., Ltd	(c)	91	228
-Shenzhen City Yunjitong Technology Co., Ltd	(b)	1	-
-Shanghai Keshen Information Technology Co., Ltd.	(a)	62	62
-Shanghai Gaozhi Lefu Intelligent Technology Co., Ltd.	(c)	-	101
Total amounts due to related parties		154	391

20. PARENT ONLY FINANCIAL INFORMATION

The following condensed parent company financial information of Cloopen Group Holding Limited has been prepared using the same accounting policies as set out in the accompanying consolidated financial statements. As of December 31, 2025, there were no material contingencies, significant provisions of long-term obligations, mandatory dividend or redemption requirements of redeemable stocks or guarantees of Cloopen Group Holding Limited, except for those, which have been separately disclosed in the consolidated financial statements.

(a) Condensed Balance Sheets

	December 31,	
	2024	2025
	RMB	RMB
Assets		
Current assets		
Cash	79,741	2,202
Term deposits	143,768	-
Short-term investments	39,536	179,234
Other current assets	81	5,061
Total current assets	**263,126**	**186,497**
Non-current asset:		
Investments in and amounts due from subsidiaries and consolidated VIE and VIE's subsidiaries	993,075	765,636
Total non-current asset	**993,075**	**765,636**
Total assets	**1,256,201**	**952,133**
Liabilities		
Current liabilities		
Accrued expenses and other current liabilities	181,624	110,750
Total current liabilities	**181,624**	**110,750**
Total liabilities	**181,624**	**110,750**
Shareholders' equity:		
Class A Ordinary Shares	195	195
Class B Ordinary Shares	17	17
Additional paid-in capital	11,225,945	11,239,347
Treasury stock	(120,899)	(120,899)
Accumulated other comprehensive loss	(56,362)	(63,608)
Accumulated deficit	(9,974,319)	(10,213,669)
Total shareholders' equity	**1,074,577**	**841,383**
Total liabilities and shareholders' equity	**1,256,201**	**952,133**

(b) Condensed Statements of Comprehensive Loss

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Total operating expenses	(89,953)	(32,074)	(26,860)
Share of losses from subsidiaries and consolidated VIE and VIE's subsidiaries	(319,769)	(110,683)	(212,490)
Loss before income taxes	**(409,722)**	**(142,757)**	**(239,350)**
Net loss	**(409,722)**	**(142,757)**	**(239,350)**
Net loss attributable to ordinary shareholders	**(409,722)**	**(142,757)**	**(239,350)**

(c) Condensed Statements of Cash Flows

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Net cash provided by (used in) operating activities	(133,979)	115,285	(32,515)
Net cash used in investing activities	(569,407)	(486)	(185,787)
Net cash provided by financing activities	-	-	-
Effect of foreign currency exchange rate changes on cash	31,168	2,713	(3,005)
Net increase/(decrease) in cash	**(672,218)**	**117,512**	**(221,307)**
Cash at the beginning of the year	778,215	105,997	223,509
Cash at the end of the year	**105,997**	**223,509**	**2,202**

A. DIFFERENCES BETWEEN ACCOUNTING POLICIES ADOPTED BY THE GROUP AND CLOOPEN

As described in the section headed "Letter from the Board – Waivers from Strict Compliance with the Requirements under the Listing Rules" of this circular, the Company has applied to The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for, and been granted, a waiver from the requirement to include in this circular an accountants' report on the Target Group in accordance with Rule 14.67(6)(a)(i) and Chapter 4 of the Rules Governing the Listing of Securities on the Stock Exchange.

Instead, the Appendix II contains a copy of the consolidated financial statements of the Cloopen Group for the three years ended December 31, 2023, 2024 and 2025, which were prepared in accordance with U.S. GAAP and audited by ARK Pro CPA & Co. The annual reports and consolidated financial statements of the Cloopen Group for the three years ended December 31, 2023, 2024 and 2025 are available at the website of the U.S. Securities and Exchange Commission (http://www.sec.gov).

The financial information included in the Appendix II are referred hereinafter as "Cloopen Historical Financial Information". The Cloopen Historical Financial Information covers the consolidated balance sheet of the Cloopen Group as at December 31, 2023, 2024 and 2025 and the consolidated statements of comprehensive loss of the Cloopen Group for each of the three years ended December 31, 2023, 2024 and 2025 (the "**Relevant Periods**").

The accounting policies adopted by Cloopen in the preparation of the Cloopen Historical Financial Information for the Relevant Periods are in accordance with U.S. GAAP (the "**Cloopen's Accounting Policies**"), while accounting policies adopted by the Group for each of the Relevant Periods are in accordance with IFRS Accounting Standards (the "**Group's Accounting Policies**"). A line-by-line reconciliation (the "**Reconciliation**") of the consolidated balance sheets of the Cloopen Group as at December 31, 2023, 2024 and 2025, and the consolidated statements of comprehensive loss of the Cloopen Group for each of the Relevant Periods to address the differences, in all material respects, on the Cloopen Historical Financial Information had it been prepared in accordance with the Group's Accounting Policies, as set out below in the section headed "D. Line-by-line Reconciliation".

B. BASIS OF PREPARATION

The Reconciliation for each of the Relevant Periods was prepared by the Directors of the Company by restating the "Unadjusted Financial Information of Cloopen" which are extracted from the Cloopen Historical Financial Information, and quantified adjustments to financial information as if it had been prepared in accordance with the Group's Accounting Policies which are in the compliance with IFRS Accounting Standards.

C. RECONCILIATION PROCESS

The Reconciliation has been prepared by the Directors by comparing the differences between the accounting policies adopted by Cloopen for the preparation of Unadjusted Financial Information of Cloopen for the Relevant Periods, and the accounting policies presently adopted by the Group which are in compliance with IFRS Accounting Standards, and quantifying the relevant material financial effects of such differences, if any.

Your attention is drawn to the fact that the Reconciliation has not been subject to an independent audit. Accordingly, no opinion is expressed by an auditor on whether it presents a true and fair view of the Cloopen's financial positions as at December 31, 2023, 2024 and 2025, nor its financial performance for each of the Relevant Periods then ended under the accounting policies presently adopted by the Group which are in compliance with IFRS Accounting Standards.

GTG was engaged by the Company to conduct work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("**HKSAE 3000 (Revised)**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") on the Reconciliation. The work consisted primarily of:

(i) comparing the "Unadjusted Financial Information of Cloopen" as set out in Reconciliation with the Cloopen Historical Financial Information that has been included in the Appendix II of this circular, as appropriate;

(ii) assessing the accounting treatments and classifications according to the Cloopen's Accounting Policies and the Group's Accounting Policies and evaluating the different accounting treatments and classifications identified by the Directors;

(iii) considering the adjustments and reclassifications made and evidence supporting them made in the Reconciliation in arriving at the "Adjusted Financial Information of Cloopen under the Group's Accounting Policies"; and

(iv) checking the arithmetic accuracy of the computation of the Reconciliation.

GTG's engagement did not involve independent examination of any of the Cloopen Historical Financial Information. The work carried out in accordance with HKSAE 3000 (Revised) is different in scope from an audit or review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, GTG did not express an audit opinion nor a review conclusion on the Reconciliation.

GTG's engagement was intended solely for the use of the Company in connection with this circular and may not be suitable for another purpose. Based on the work performed, nothing has come to GTG attention that causes them to believe:

(i) the "Unadjusted Financial Information of Cloopen" for each of the Relevant Periods as set out in the Reconciliation are not in agreement with the Cloopen Historical Financial Information prepared in accordance with the Cloopen's Accounting Policies, as appropriate;

(ii) the adjustments and reclassifications made in the Reconciliation do not reflect, in all material respects, the differences in accounting treatments and classifications between the Cloopen's Accounting Policies and the Group's Accounting Policies; and

(iii) the computation of the Reconciliation is not arithmetically accurate.

D. LINE-BY-LINE RECONCILIATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS

	For the Year Ended December 31, 2023				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
Revenue	571,024	(382)			570,642
Cost of revenue	(366,375)	(4)			(366,379)
Gross profit	**204,649**	**(386)**	**–**	**–**	**204,263**
Other net income/(loss)		(919)		(3,948)	(4,867)
Research and development expenses	(222,538)	(4,088)			(226,626)
Selling and marketing expenses	(227,543)	(2,940)			(230,483)
General and administrative expenses	(191,113)	(10,616)	16,456		(185,273)
Impairment losses of trade receivables, contract assets and other receivables reversed/(recognized)			(16,456)		(16,456)
Loss from operations	**(436,545)**	**(18,949)**	**–**	**(3,948)**	**(459,442)**
Interest income	26,826			(26,826)	–
Interest expense		(1,235)		1,235	–
Net finance income				31,290	31,290
Investment income	563			(563)	–
Share of profits/(losses) of associates	(1,470)				(1,470)
Impairment loss of long-term investments	(8,011)	3,500		4,511	–
Foreign currency exchange gains (losses), net	5,699			(5,699)	–
Loss before taxation	**(412,938)**	**(16,684)**	**–**	**–**	**(429,622)**
Income tax benefit	564				564
Loss for the year	**(412,374)**	**(16,684)**	**–**	**–**	**(429,058)**

	For the Year Ended December 31, 2023				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
Attribute to:					
Equity shareholders of the Cloopen	(409,722)	(16,684)			(426,406)
Non-controlling interests	(2,652)				(2,652)
Loss for the year	**(412,374)**	**(16,684)**	**–**	**–**	**(429,058)**
Loss for the year	**(412,374)**	**(16,684)**	**–**	**–**	**(429,058)**
Other comprehensive income/(loss) for the year (after tax and reclassification adjustments):					
Exchange difference on translation of financial statements of the Cloopen	21,286				21,286
Fair value gain/(loss) on investments in equity instruments at fair value through other comprehensive income		(5,315)			(5,315)
Other comprehensive income/(loss) for the year	**21,286**	**(5,315)**	**–**	**–**	**15,971**
Total comprehensive loss for the year	**(391,088)**	**(21,999)**	**–**	**–**	**(413,087)**
Attribute to:					
Equity shareholders of the Cloopen	(388,436)	(21,999)			(410,435)
Non-controlling interests	(2,652)				(2,652)
Total comprehensive loss for the year	**(391,088)**	**(21,999)**	**–**	**–**	**(413,087)**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS

	For the Year Ended December 31, 2024				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
Revenue	573,566	(398)			573,168
Cost of revenue	(362,717)				(362,717)
Gross profit	**210,849**	**(398)**	**–**	**–**	**210,451**
Other net income/(loss)	49,530	83		12,262	61,875
Research and development expenses	(177,000)	(4,358)			(181,358)
Selling and marketing expenses	(187,305)	(2,527)			(189,832)
General and administrative expenses	(93,916)	(5,290)	(3,875)		(103,081)
Impairment losses of trade receivables, contract assets and other receivables reversed/(recognized)			3,875		3,875
Loss from operations	**(197,842)**	**(12,490)**	**–**	**12,262**	**(198,070)**
Interest income	42,151			(42,151)	–
Interest expense		(529)		529	–
Net finance income				37,905	37,905
Investment income	11,859			(11,859)	–
Share of profits/(losses) of associates	3				3
Gains (losses) from disposal of subsidiaries, net	403			(403)	–
Foreign currency exchange gains (losses), net	(3,717)			3,717	–
Loss before taxation	**(147,143)**	**(13,019)**	**–**	**–**	**(160,162)**
Income tax benefit	316				316
Loss for the year	**(146,827)**	**(13,019)**	**–**	**–**	**(159,846)**

	For the Year Ended December 31, 2024				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
Attribute to:					
Equity shareholders of the Cloopen	(142,757)	(13,019)			(155,776)
Non-controlling interests	(4,070)				(4,070)
Loss for the year	**(146,827)**	**(13,019)**	**–**	**–**	**(159,846)**
Loss for the year	**(146,827)**	**(13,019)**	**–**	**–**	**(159,846)**
Other comprehensive income/(loss) for the year (after tax and reclassification adjustments):					
Exchange difference on translation of financial statements of the Cloopen	965				965
Fair value gain/(loss) on investments in equity instruments at fair value through other comprehensive income		9,142			9,142
Other comprehensive income (loss) for the year	**965**	**9,142**	**–**	**–**	**10,107**
Total comprehensive loss for the year	**(145,862)**	**(3,877)**	**–**	**–**	**(149,739)**
Attribute to:					
Equity shareholders of the Cloopen	(141,792)	(3,877)			(145,669)
Non-controlling interests	(4,070)				(4,070)
Total comprehensive loss for the year	**(145,862)**	**(3,877)**	**–**	**–**	**(149,739)**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS

	For the Year Ended December 31, 2025				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
Revenue	535,709	(252)			535,457
Cost of revenue	(388,963)				(388,963)
Gross profit	**146,746**	**(252)**	**–**	**–**	**146,494**
Other net income/(loss)		(261)		(2,465)	(2,726)
Research and development expenses	(139,081)	(569)			(139,650)
Selling and marketing expenses	(142,265)	2,149			(140,116)
General and administrative expenses	(111,061)	509	2,802		(107,750)
Impairment losses of trade receivables, contract assets and other receivables reversed/(recognized)			(2,802)		(2,802)
Loss from operations	**(245,661)**	**1,576**	**–**	**(2,465)**	**(246,550)**
Interest income	10,656			(10,656)	–
Interest expense		(815)		815	–
Net finance income				9,328	9,328
Investment income	10,423			(10,423)	–
Share of profits/(losses) of associates	(1,638)				(1,638)
Impairment loss of long-term investments	(11,145)			11,145	–
Gains (losses) from disposal of subsidiaries, net	(1,743)			1,743	–
Foreign currency exchange gains (losses), net	(513)			513	–
Loss before taxation	**(239,621)**	**761**	**–**	**–**	**(238,860)**
Income tax benefit	820				820
Loss for the year	**(238,801)**	**761**	**–**	**–**	**(238,040)**

	For the Year Ended December 31, 2025				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
Attribute to:					
Equity shareholders of the Cloopen	(239,350)	761			(238,589)
Non-controlling interests	549				549
Loss for the year	**(238,801)**	**761**	**–**	**–**	**(238,040)**
Loss for the year	**(238,801)**	**761**	**–**	**–**	**(238,040)**
Other comprehensive income/(loss) for the year (after tax and reclassification adjustments):					
Exchange difference on translation of financial statements of the Cloopen	(7,246)				(7,246)
Fair value gain/(loss) on investments in equity instruments at fair value through other comprehensive income		14,527			14,527
Other comprehensive income (loss) for the year	**(7,246)**	**14,527**	**–**	**–**	**7,281**
Total comprehensive loss for the year	**(246,047)**	**15,288**	**–**	**–**	**(230,759)**
Attribute to:					
Equity shareholders of the Cloopen	(246,596)	15,288			(231,308)
Non-controlling interests	549				549
Total comprehensive loss for the year	**(246,047)**	**15,288**	**–**	**–**	**(230,759)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31, 2023				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
Non-current assets					
Property and equipment	10,385	(3,742)	13,902		20,545
Intangible assets	14,294				14,294
Long-term investments	54,049	(40,884)		(13,165)	–
Interest in associates				13,165	13,165
Equity instruments at fair value through other comprehensive income		41,031			41,031
Investment Property		8,908			8,908
Operating lease right-of-use assets	13,992	(90)	(13,902)		–
Goodwill	54,427				54,427
Other non-current assets	3,528			(3,528)	–
Prepayments, deposits and other receivables				3,528	3,528
	150,675	**5,223**	**–**	**–**	**155,898**
Current assets					
Other financial assets	422,559				422,559
Inventories and other contract costs			2,907		2,907
Contract assets	26,107				26,107
Accounts receivable – third parties, net	143,421			(143,421)	–
Accounts receivable – a related party, net	704			(704)	–
Trade receivables				144,125	144,125
Amounts due from a related party	3,350			(3,350)	–
Prepayments, deposits and other receivables	109,455		(2,907)	3,350	109,898
Restricted bank deposits	4,502				4,502
Term deposits	545,368				545,368
Cash and cash equivalents	377,947				377,947
	1,633,413	**–**	**–**	**–**	**1,633,413**

	As of December 31, 2023				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
Current liabilities					
Accounts payable	87,729				87,729
Contract liabilities	363,228				363,228
Lease liabilities	10,300				10,300
Amounts due to related parties	205			(205)	–
Accrued expenses and other payables	124,540			205	124,745
	586,002	**–**	**–**	**–**	**586,002**
Net current assets	**1,047,411**	**–**	**–**	**–**	**1,047,411**
Total assets less current liabilities	**1,198,086**	**5,223**	**–**	**–**	**1,203,309**
Non-current liabilities					
Lease liabilities	2,164				2,164
Deferred income tax liabilities	857	22			879
Other non-current liabilities	27				27
	3,048	**22**	**–**	**–**	**3,070**
NET ASSETS	**1,195,038**	**5,201**	**–**	**–**	**1,200,239**

	As of December 31, 2023				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
CAPITAL AND RESERVES					
Class A Ordinary Shares	195			-195	–
Class B Ordinary Shares	17			-17	–
Share capital				212	212
Reserves				1,205,955	1,205,955
Additional paid-in capital	11,210,542	(17,974)		(11,192,568)	–
Treasury stock	(120,899)			120,899	–
Accumulated other comprehensive loss	(57,327)	2,743		54,584	–
Accumulated deficit	(9,831,562)	20,432		9,811,130	–
Total equity attributable to the Cloopen	**1,200,966**	**5,201**	**–**	**–**	**1,206,167**
Non-controlling interests	(5,928)				(5,928)
TOTAL EQUITY	**1,195,038**	**5,201**	**–**	**–**	**1,200,239**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31, 2024				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
Non-current assets					
Property and equipment	8,173	(3,393)	10,843		15,623
Intangible assets	11,609				11,609
Long-term investments	54,052	(40,884)		(13,168)	–
Interest in associates				13,168	13,168
Equity instruments at fair value through other comprehensive income		51,786			51,786
Investment Property		8,593			8,593
Operating lease right-of-use assets	10,800	43	(10,843)		–
Goodwill	54,427				54,427
Other non-current assets	3,639			(3,639)	–
Prepayments, deposits and other receivables				3,639	3,639
	142,700	**16,145**	**–**	**–**	**158,845**
Current assets					
Other financial assets	291,280				291,280
Inventories and other contract costs			4,181		4,181
Contract assets	27,752				27,752
Accounts receivable – third parties, net	120,374			(120,374)	–
Accounts receivable – a related party, net	389			(389)	–
Trade receivables				120,763	120,763
Amounts due from a related party	2,590			(2,590)	–
Prepayments, deposits and other receivables	119,996		(4,181)	2,590	118,405
Restricted bank deposits	10,396				10,396
Term deposits	222,783				222,783
Cash and cash equivalents	640,119				640,119
	1,435,679	**–**	**–**	**–**	**1,435,679**

	As of December 31, 2024				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
Current liabilities					
Accounts payable	95,485				95,485
Contract liabilities	306,112				306,112
Lease liabilities	5,843				5,843
Amounts due to related parties	154			(154)	–
Accrued expenses and other payables	101,009			154	101,163
	508,603	**–**	**–**	**–**	**508,603**
Net current assets	**927,076**	**–**	**–**	**–**	**927,076**
Total assets less current liabilities	**1,069,776**	**16,145**	**–**	**–**	**1,085,921**
Non-current liabilities					
Lease liabilities	4,731				4,731
Deferred income tax liabilities	466	1,635			2,101
	5,197	**1,635**	**–**	**–**	**6,832**
NET ASSETS	**1,064,579**	**14,510**	**–**	**–**	**1,079,089**

	As of December 31, 2024				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
CAPITAL AND RESERVES					
Class A Ordinary Shares	195			(195)	–
Class B Ordinary Shares	17			(17)	–
Share capital				212	212
Reserves				1,088,875	1,088,875
Additional paid-in capital	11,225,945	(4,788)		(11,221,157)	–
Treasury stock	(120,899)			120,899	–
Accumulated other comprehensive loss	(56,362)	11,885		44,477	–
Accumulated deficit	(9,974,319)	7,413		9,966,906	–
Total equity attributable to the Cloopen	**1,074,577**	**14,510**	**–**	**–**	**1,089,087**
Non-controlling interests	(9,998)				(9,998)
TOTAL EQUITY	**1,064,579**	**14,510**	**–**	**–**	**1,079,089**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31, 2025				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	GAAP difference Adjustments *(Unaudited)* *RMB'000* *(Note 1)*	Reclassification Adjustments *(Unaudited)* *RMB'000* *(Note 2)*	Presentation Adjustments *(Unaudited)* *RMB'000* *(Note 3)*	Adjusted Financial Information of Cloopen under the Group's Accounting Policies *(Unaudited)* *RMB'000*
Non-current assets					
Property and equipment	6,088	(3,044)	13,862		16,906
Intangible assets	9,271				9,271
Long-term investments	53,269	(40,884)		(12,385)	–
Interest in associates				12,385	12,385
Equity instruments at fair value through other comprehensive income		68,877			68,877
Investment Property		8,080			8,080
Operating lease right-of-use assets	14,122	(260)	(13,862)		–
Goodwill	54,427				54,427
Other non-current assets	2,925			(2,925)	–
Prepayments, deposits and other receivables				2,925	2,925
	140,102	**32,769**	**–**	**–**	**172,871**
Current assets					
Other financial assets	359,734				359,734
Inventories and other contract costs			120		120
Contract assets	57,290				57,290
Accounts receivable – third parties, net	139,651			(139,651)	–
Accounts receivable – a related party, net	488			(488)	–
Trade receivables				140,139	140,139
Amounts due from a related party	3,345			(3,345)	–
Prepayments, deposits and other receivables	111,954		(120)	3,345	115,179
Restricted bank deposits	28,107				28,107
Term deposits	211,463				211,463
Cash and cash equivalents	324,134				324,134
	1,236,166	**–**	**–**	**–**	**1,236,166**

	As of December 31, 2025				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
Current liabilities					
Accounts payable	129,831				129,831
Contract liabilities	299,483				299,483
Lease liabilities	8,093				8,093
Amounts due to related parties	391			(391)	–
Accrued expenses and other payables	102,675			391	103,066
	540,473	**–**	**–**	**–**	**540,473**
Net current assets	**695,693**	**–**	**–**	**–**	**695,693**
Total assets less current liabilities	**835,795**	**32,769**	**–**	**–**	**868,564**
Non-current liabilities					
Lease liabilities	3,785				3,785
Deferred income tax liabilities	76	4,199			4,275
	3,861	**4,199**	**–**	**–**	**8,060**
NET ASSETS	**831,934**	**28,570**	**–**	**–**	**860,504**

	As of December 31, 2025				
	Unadjusted Financial Information of Cloopen *(Audited)* *RMB'000*	**GAAP difference Adjustments** *(Unaudited)* *RMB'000* *(Note 1)*	**Reclassification Adjustments** *(Unaudited)* *RMB'000* *(Note 2)*	**Presentation Adjustments** *(Unaudited)* *RMB'000* *(Note 3)*	**Adjusted Financial Information of Cloopen under the Group's Accounting Policies** *(Unaudited)* *RMB'000*
CAPITAL AND RESERVES					
Class A Ordinary Shares	195			(195)	–
Class B Ordinary Shares	17			(17)	–
Share capital				212	212
Reserves				869,741	869,741
Additional paid-in capital	11,239,347	(6,016)		(11,233,331)	–
Treasury stock	(120,899)			120,899	–
Accumulated other comprehensive loss	(63,608)	26,412		37,196	–
Accumulated deficit	(10,213,669)	8,174		10,205,495	–
Total equity attributable to the Cloopen	**841,383**	**28,570**	**–**	**–**	**869,953**
Non-controlling interests	(9,449)				(9,449)
TOTAL EQUITY	**831,934**	**28,570**	**–**	**–**	**860,504**

Note:

1. GAAP difference adjustments

(i) Investment Property

The Cloopen Group owns offices held for rental purposes, which are included in property, plant and equipment with the cost model applied under U.S. GAAP. According to IAS40.30, an entity shall select its accounting policy either the fair value model or the cost model and shall apply that policy to all of its investment property. The Group elected to apply the fair value model to account for its investment property, and gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Had Cloopen adopted the Group's Accounting Policies, the impacts of the adjustments on the Cloopen's consolidated statements of financial position as at December 31, 2023, 2024 and 2025, and the consolidated statements of profit or loss and consolidated statements of comprehensive loss for the three years ended December 31, 2023, 2024 and 2025 are set out below.

Consolidated Statement of Financial Position	**As at December 31,**		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
	Unaudited	*Unaudited*	*Unaudited*
	Dr./(Cr.)	*Dr./(Cr.)*	*Dr./(Cr.)*
Property and equipment	(3,742)	(3,393)	(3,044)
Investment Property	8,908	8,593	8,080
Accumulated other comprehensive loss	(6,118)	(6,118)	(6,118)
Accumulated deficit	952	918	1,082

Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss	**For the year ended December 31,**		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
	Unaudited	*Unaudited*	*Unaudited*
	Dr./(Cr.)	*Dr./(Cr.)*	*Dr./(Cr.)*
Other net loss	1,301	315	513
General and administrative expenses	(349)	(349)	(349)

The fair value of the investment property for Relevant Periods has been determined based on a valuation carried out by an independent valuer unrelated to the Group and the Cloopen Group.

(ii) Leases

Under U.S. GAAP, the amortization of the right-of-use ("**ROU**") assets and interest expenses related to the lease liabilities are recorded collectively as lease costs included in the income statement on a straight-line basis over the lease term, which is unlike IFRS Accounting Standards, under this method, amortization each period is calculated as the difference between the straight-line lease cost for the period and the periodic accretion of the lease liability using the effective interest method. According to IFRS 16 and the Group's Accounting Policies, ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, and interest expenses on the lease liabilities are calculated using the incremental borrowing rate at the lease commencement date and recognised in the line of "net finance income".

Had Cloopen adopted the Group's Accounting Policies, the differences between the amortization of ROU assets for each period were included in the "GAAP difference adjustments" of the Reconciliation statement, and the interest expenses on lease liabilities have been reclassified and presented in the line of "net finance income". The detailed adjustment information is set out below.

Consolidated Statement of Financial Position	**As at December 31,**		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
	Unaudited	*Unaudited*	*Unaudited*
	Dr./(Cr.)	*Dr./(Cr.)*	*Dr./(Cr.)*
Operating lease right-of-use assets	(90)	43	(260)
Accumulated deficit	90	(43)	260

Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss	For the year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
	Unaudited	*Unaudited*	*Unaudited*
	Dr./(Cr.)	*Dr./(Cr.)*	*Dr./(Cr.)*
Revenue	382	398	252
Other net income	(382)	(398)	(252)
Research and development expenses	(665)	(309)	(217)
General and administrative expenses	(99)	(85)	(107)
Selling and marketing expenses	(381)	(268)	(188)
Interest expense	1,235	529	815

(iii) Share-based payments

Under Cloopen's Accounting Policies, share-based awards granted to the founders and employees in the form of restricted shares are measured at the grant date fair value of the awards, and are recognized as compensation expenses using the graded-vesting schedules over the requisite service period for each separately vesting portion (or tranche) of the award. Cloopen has elected to recognize the effect of forfeitures in compensation cost when they occur. Where the required vesting conditions are not met and the awards are forfeited, previously recognized compensation expenses relating to such awards are reversed. According to IFRS 2.33, at the end of each reporting period, the Group shall revise its estimate of the number of equity instruments expected to vest based on an assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss, so that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to the share-based payments reserve.

Had Cloopen adopted the Group's Accounting Policies, the Directors would have reassessed the estimate of the number of equity instruments expected to vest, taking into account the forfeiture rate observed during the period from 2022 to 2025. The impact of the adjustments on the Cloopen's consolidated statements of financial position as at December 31, 2023, 2024 and 2025, and the consolidated statements of profit or loss and consolidated statements of comprehensive loss for the three years ended December 31, 2023, 2024 and 2025 are set out below.

Consolidated Statement of Financial Position	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
	Unaudited	*Unaudited*	*Unaudited*
	Dr./(Cr.)	*Dr./(Cr.)*	*Dr./(Cr.)*
Additional paid-in capital	17,974	4,788	6,016
Accumulated deficit	(17,974)	(4,788)	(6,016)

Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss	For the year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
	Unaudited	*Unaudited*	*Unaudited*
	Dr./(Cr.)	*Dr./(Cr.)*	*Dr./(Cr.)*
Cost of revenues	4	–	–
Research and development expenses	4,753	4,667	786
General and administrative expenses	11,064	5,724	(53)
Selling and marketing expenses	3,321	2,795	(1,961)

(iv) Other equity investments at fair value through other comprehensive income ("**FVOCI**")

Cloopen elects the measurement alternative under ASC 321 and measures investments in "equity investment" at cost, adjusted for changes resulting from impairments and observable price changes in orderly transactions for identical or similar securities of the same issuer. The directors of Cloopen review information in periodic financial statements and other documentation received from the investees to determine whether observable price changes have occurred. Under the Group's Accounting Policies, investments in equity securities are classified as fair value through profit or loss, unless the investment are not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income, and are not subject to impairment assessment.

For other equity investments of the Cloopen Group, the Directors believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run, accordingly, the Directors have elected to designate these investments in equity instruments as at FVOCI.

Had Cloopen adopted the Group's Accounting Policies, the impacts of the adjustments on the Cloopen's consolidated statements of financial position as at December 31, 2023, 2024 and 2025, and the consolidated statements of profit or loss and consolidated statements of comprehensive loss for the three years ended December 31, 2023, 2024 and 2025 are set out below.

Consolidated Statement of Financial Position	**As at December 31,**		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
	Unaudited	*Unaudited*	*Unaudited*
	Dr./(Cr.)	*Dr./(Cr.)*	*Dr./(Cr.)*
Long-term investments	(40,884)	(40,884)	(40,884)
Equity instruments at fair value through other comprehensive income	41,031	51,786	68,877
Deferred income tax liabilities	(22)	(1,635)	(4,199)
Accumulated other comprehensive loss/(gain)	3,375	(5,767)	(20,294)
Accumulated deficit	(3,500)	(3,500)	(3,500)

Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss	**For the year ended December 31,**		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
	Unaudited	*Unaudited*	*Unaudited*
	Dr./(Cr.)	*Dr./(Cr.)*	*Dr./(Cr.)*
Impairment loss of long-term investments	(3,500)	–	–
Fair value loss/(gain) on investments in equity instruments at fair value through other comprehensive income	5,315	(9,142)	(14,527)

The fair value of other equity investments has been determined based on a valuation carried out by an independent valuer unrelated to the Group and the Cloopen Group.

2. Reclassification adjustments

(i) Contract costs

Under Cloopen's Accounting Policies, contract costs are presented under the line item "Prepaid expense and other current assets" in the consolidated balance sheets. Under the Group's Accounting Policies, the costs to fulfill a contract are capitalized if they (i) relate directly to an existing contract or to a specifically identifiable anticipated contract, (ii) generate or enhance resources for future delivery of goods or services, and (iii) are expected to be recoverable. Such capitalised costs are presented under the line item of "Inventories and other contract costs". Therefore, the contract costs, amounted to RMB2,907,000, RMB4,181,000 and RMB120,000 as at December 31, 2023, 2024 and 2025, have been reclassified accordingly and included in the Reconciliation set out above.

(ii) ROU assets

Under the Cloopen's Accounting Policies, ROU assets are presented as a separate line item in the consolidated balance sheets. Under the Group's Accounting Policies, ROU assets are included within property, plant and equipment, the same line item that would be used if the underlying assets were owned outright. Therefore, ROU assets, amounted to RMB13,902,000, RMB10,843,000 and RMB13,862,000 as at December 31, 2023, 2024 and 2025, have been reclassified into the property, plant and equipment line item in the Reconciliation set out above.

(iii) Impairment losses of trade receivables, contract assets and other receivables reversed/(recognized)

Under Cloopen's Accounting Policies, the Allowance for Doubtful Accounts is presented within General and administrative expenses. According to IAS 1.82 and IFRS 7.20A, the profit or loss section or the statement of profit or loss shall present line items for impairment losses (including reversals of impairment losses or impairment gains) recognised in accordance with Section 5.5 of IFRS 9. Therefore, the impairment losses/(reversals) of impairment losses relating to trade receivables, contract assets and other receivables, amounted to RMB16,456,000, RMB(3,875,000) and RMB2,802,000 for each of the years ended December 31, 2023, 2024 and 2025, have been reclassified and presented as a separate line item.

3. Presentation adjustments

These adjustments for each of the Relevant Periods are presentation adjustments made to bring the Cloopen Historical Financial Information in line with the presentation adopted in the Group's consolidated financial statements, as if the former is prepared under the Group's Accounting Policies.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP FOLLOWING THE ACQUISITION OF APPROXIMATELY 34.03% OF EFFECTIVE ECONOMIC INTEREST IN CLOOPEN GROUP HOLDING LIMITED (THE "TARGET COMPANY")

1. Introduction

The following is the unaudited pro forma consolidated statement of assets and liabilities of Dmall Inc. ("**the Company**") and its subsidiaries ("**the Group**") as if the acquisition of approximately 34.03% effective economic interest in Cloopen Group Holding Limited (the "**Target Company**") (the "**Acquisition**") had been completed on December 31, 2025 (the "**Unaudited Pro Forma Financial Information**").

The Unaudited Pro Forma Financial Information is prepared by the Directors of the Company in accordance with Paragraph 4.29 of the Listing Rules and has been prepared for illustrative purposes only to show the effect of the Acquisition.

Narrative descriptions of the unaudited pro forma adjustments that are directly attributable to the Acquisition and factually supportable are summarized in the accompanying notes to the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Acquisition been completed as of the specified dates or any other dates.

The Unaudited Pro Forma Financial Information of the Group is based on the consolidated statement of financial position of the Group at December 31, 2025, which has been extracted from the Company's annual report for the year then ended and pro forma adjustments described in the notes. These pro forma adjustments are directly attributable to the Acquisition and not relating to other future events and decisions.

The Unaudited Pro Forma Financial Information of the Group should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Company for the year ended December 31, 2025 and other financial information included elsewhere in this circular.

2. Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Group as at December 31, 2025

(Expressed in Renminbi)

	The Group as at December 31, 2025	Pro forma adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Group
	RMB'000	*RMB'000*	*Notes*	*RMB'000*
Non-current assets				
Property and equipment	72,064			72,064
Intangible assets	114,328			114,328
Interest in an associate	–	247,161	(a), (b)	247,161
Goodwill	106,304			106,304
Prepayments, deposits and other receivables	5,429			5,429
Deferred tax assets	41,315			41,315
	339,440			586,601
Current assets				
Other financial assets	82,150			82,150
Inventories and other contract costs	18,821			18,821
Contract assets	6,648			6,648
Trade receivables	340,424			340,424
Prepayments, deposits and other receivables	86,720			86,720
Cash and cash equivalents	860,026	(247,161)	(a)	612,865
	1,394,789			1,147,628

	The Group as at December 31, 2025	Pro forma adjustments	Notes	Unaudited pro forma consolidated statement of assets and liabilities of the Group
	RMB'000	*RMB'000*	*Notes*	*RMB'000*
Current liabilities				
Trade payables	110,927			110,927
Accrued expenses and other payables	150,281			150,281
Bank loans and other borrowings	312,628			312,628
Contract liabilities	139,269			139,269
Lease liabilities	23,420			23,420
Current taxation	106			106
	736,631			736,631
Net current assets	658,158			410,997
Total assets less current liabilities	997,598			997,598
Non-current liabilities				
Bank loans and other borrowings	21,000			21,000
Lease liabilities	11,280			11,280
Deferred tax liabilities	9,139			9,139
Other non-current liabilities	607			607
	42,026			42,026
Net Assets	955,572			955,572

3. Notes to the Unaudited Pro Forma Financial Information of the Group

(a) The adjustments represent the total consideration of approximately USD35,163,980 (approximately RMB247,160,583) in cash for acquisition of 34.03% effective economic interest in the Target Company.

(b) Upon completion of the Acquisition, the Group is expected to own as to 34.03% effective economic interest of the Target Company. The Group would be able to exercise significant influence over the relevant activities of the Target Company and then the Target Company is accounted for as an associate of the Group.

No adjustment has been made to the Unaudited Pro Forma Financial Information for acquisition-related costs as the Directors determined that such costs are insignificant.

(c) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2025.

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Dmall Inc.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Dmall Inc. (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at December 31, 2025 and related notes as set out in Part A of Appendix IIIB to the circular dated June 30, 2026 (the "**Circular**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix IIIB to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 34.03% effective economic interest in Cloopen Group Holding Limited (the "**Acquisition**") on the Group's assets and liabilities as at December 31, 2025 as if the Acquisition had taken place at December 31, 2025. As part of this process, information about the Group's assets and liabilities as at December 31, 2025 has been extracted by the Directors from the consolidated financial statements of the Company for the year then ended, on which an audit report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at December 31, 2025 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma 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:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

June 30, 2026

Financial information (including the management discussion and analysis) of the Cloopen Group for the financial years ended December 31, 2023, 2024 and 2025 is disclosed in the annual reports of Cloopen for the three years ended December 31, 2023, 2024 and 2025 which are available at the website of the U.S. Securities and Exchange Commission (http://www.sec.gov).

The following discussion and analysis of the financial results and additional related disclosures of the Cloopen Group for the financial years ended December 31, 2023, 2024 and 2025 are extracted from the said annual reports of Cloopen and are prepared based on, and should be read in conjunction with, the consolidated financial statements of the Cloopen Group for the same financial years as set out in the same annual reports of the Cloopen Group (which are also extracted in Appendix II to this circular).

The disclosures extracted in this Appendix IV were issued in English and the Chinese translated version is provided for information purposes only. In case of discrepancies between the two versions, the English version shall prevail.

The Directors wish to emphasise that the extracts reproduced below are not prepared for incorporation into this circular and the Company has not participated in their preparation. As such, the Directors do not express any view as to their truth, accuracy or completeness, and the Shareholders and investors should exercise caution and should not place undue reliance on such information.

A1. OPERATING AND FINANCIAL REVIEW AND PROSPECTS OF THE CLOOPEN GROUP FOR THE YEAR ENDED DECEMBER 31, 2023

[OMITTED]

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our results of operations and financial condition together with the consolidated financial statements and related notes included elsewhere in this annual report. This discussion contains forward-looking statements based upon current plans, expectations and beliefs that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the section of this annual report captioned "Item 3. Key Information—D. Risk Factors" and in other parts of this annual report. Our fiscal year ends on December 31.

A. Operating Results

Overview

We are a leading multi-capability cloud-based communications solution provider in China offering a full suite of cloud-based communications solutions, covering CPaaS, cloud-based CC and cloud-based UC&C. We serve a diverse and loyal customer base consisting of enterprises of all sizes across a variety of industries, including internet, telecommunications, financial services, industrial manufacturing and energy.

We generate our revenues primarily from our CPaaS, cloud-based CC and cloud-based UC&C solutions. We generally charge our customers using our CPaaS solutions on a recurring basis, based on the monthly number of text messages and call minutes facilitated. We charge our customers using our cloud-based CC solutions deployed on public cloud on a recurring basis, with a combination of seat subscription fees and related resource usage fees. We generally charge our customers using our cloud-based CC solution deployed on private cloud and cloud-based UC&C solutions on a project basis. We plan to promote solutions that we offer on a recurring basis to lower customer acquisition costs, which we expect would favorably contribute to our profit margins.

As of December 31, 2021, 2022 and 2023, we had an active customer base of 11,406, 9,980 and 8,703 enterprises, respectively, among which 142, 118 and 121 were large-enterprise customers, respectively. In 2021, 2022 and 2023, the dollar-based net customer retention rate in relation to solutions we offer on a recurring basis was 90.2%, 61.7% and 85.8%, respectively, and the dollar-based net customer retention rate for active customers was 94.2%, 64.5% and 89.0%, respectively. We served 274, 229 and 279 customers for our project-based solutions in 2021, 2022 and 2023, respectively. Our revenues decreased by 21.1% from RMB752.7 million in 2021 to RMB593.6 million in 2022, and further decreased by 3.8% to RMB571.0 million (USD$80.4 million) in 2023, of which 71.2%, 64.0% and 65.6% were recurring revenues in the same years, respectively. In 2021, 2022 and 2023, we incurred net loss of RMB904.5 million, RMB975.9 million and RMB412.4 million (US$58.1 million), respectively, and our adjusted EBITDA was RMB422.8 million, RMB563.4 million and RMB405.5 million (US$57.1 million), respectively. See "—Non-GAAP Financial Measures" for information on how we define and calculate the non-GAAP financial measures as well as a reconciliation of non-GAAP adjusted EBITDA to net loss.

Factors Affecting Our Results of Operations

Our business and results of operations are affected by China's overall economic conditions and structural transformations, especially the development of telecommunications industry and cloud-based communications industry, as well as the following industry- and company-specific factors.

Capturing market opportunity

Our ability to capture market opportunity is critical to our growth prospects. Compared to more developed regions such as the North America and Western Europe, enterprises in China are still in the early stages of adopting cloud-based technologies, which presents significant growth opportunity. The maturity level of China's network and related infrastructure for cloud computing also provides a solid foundation for rapid adoption of cloud technologies in China.

In addition, China's communications industry is highly fragmented, consisting primarily of many local players. The software-based nature and scalability of cloud-based communications solutions are well-suited to allow easy deployment across different geographical locations and industries. We focus on applying cloud-based technologies to enterprise communications, leveraging our established partnerships with multiple regional mobile network operators. Equipped with such established business relationships as well as our solutions and proprietary technologies in AI and video communications, we believe we are well-positioned to capture the significant market opportunity to consolidate China's cloud-based communications industry. Meanwhile, in order to achieve a larger market share, we will need to devote more managerial attention and financial and other resources to address the potential challenges faced by a rapidly growing business in an evolving industry.

Improving customer acquisition, retention and lifetime value

Our results of operations are highly dependent on the total number and the lifetime value of our customers. We have cultivated a large and diverse customer base of enterprises of all sizes and various industries, including internet, telecommunications, financial services, industrial manufacturing and energy. As of December 31, 2021, 2022 and 2023, we had an active customer base of 11,406, 9,980 and 8,703 enterprises, respectively, among which 142, 118 and 121 were large-enterprise customers, respectively. To retain and grow our customer base, we need to predict future market acceptance and customer demand and continue to invest in sales and marketing to penetrate into more industry verticals and second- and lower-tier cities and further promote our brand image and recognition in China's cloud-based communications industry. We also plan to expand our cross-selling and up-selling efforts to existing customers.

Introducing new features and solutions

To capitalize on the opportunities from the fast-evolving communications needs of China's enterprises of all sizes, we believe it is critical to continuously develop and introduce new features and solutions that optimize communication efficiency and efficacy and enhance operational productivity. We believe our capabilities of developing and offering a comprehensive portfolio of industry-specific solutions that satisfy disparate needs and complex internal integration and deployment requirements contribute to the success of our business operations. We must continue to invest in research and development with a focus on AI and video technologies and incorporate these technologies to develop more innovative features and solutions. We will also need to enhance the interaction of product development and sales activities and actively seek and analyze customer feedback in order to design new features and solutions catering to customer demands.

Optimizing product offering mix

Our ability to manage our product offering mix affects our results of operations, especially our overall profit margin. For example, our cloud-based CC and cloud-based UC&C solutions typically carry higher gross profit margins, as these solutions are more technologically advanced and, therefore, give us greater pricing power. To improve our overall profit margin and achieve higher financial scalability, we will need to continue to shift our focus toward offering solutions with higher profit margins. We also plan to selectively promote solutions that we offer on a recurring basis to lower customer acquisition costs, which we expect would favorably contribute to our profit margins. In addition, we need to serve more customers in targeted industries to lower the incremental industry customization costs and to achieve greater economies of scale and higher profit margins from the industries we more broadly serve.

Controlling costs and expenses

One of the largest costs we incur during our business operations, particularly for our CPaaS solutions and cloud-based CC solutions that we offer on a recurring basis, is service fees paid for telecommunications resources. In 2021, 2022 and 2023, costs paid for telecommunications resources represented 65.3%, 51.6% and 55.0%. of our total cost of revenues, respectively. Mobile network operators in China typically adjust the unit prices for resources, such as text messages and voice calls, once every several years based on government recommendations. A sudden adjustment by major mobile network operators would likely negatively affect our results of operations in current contract periods because we may not be able to pass on the impact to our customers as a result of fixed unit resource price throughout the current contract periods. On the other hand, we are generally able to pass on the impact from such unit price adjustment to customers relatively quickly due to our relatively short contract periods, which enable us to adjust our resource usage fees from time to time. Additionally, we may also benefit from the increase in the unit resource price in the long term because such price increase could eliminate weaker market players and strengthen our market leadership position.

In addition, staff costs and expenses incurred to attract and retain a team of talented staff is a major component of our overall costs and expenses. While we strive to optimize our compensation and incentive structure, we remain mindful that investment in human resources plays a significant role in maintaining our competitive position. As a significant portion of our overall costs and expenses, our ability to control our staff costs and expenses without compromising our competitiveness is critical to our results of operations.

Managing development cycle

Our ability to manage the overall development cycle of our project-based solutions affects our revenues and profit margin in specific periods. We generally incur a significant amount of upfront investment and costs in developing new solutions and serving customers in new industries to meet their complex communications needs, implementation requirements and industry-specific customizations. We have also historically undertaken smaller projects with lower profit margins to enter into the markets for project-based solutions, such as for our cloud-based UC&C solutions. These initial development costs and investments may increase our costs and expenses and decrease our overall profit margins in certain periods. We are generally able to replicate our initial solution development and achieve economies of scale quickly after we deliver our industry-specific projects to more customers within the same industry or build upon our existing projects to develop similar solutions for more customers from other industries. As we continue to standardize our industry-specific solutions for more customers in diverse industries, we expect to manage the upfront investment at reasonable level and optimize our development cycle.

Strategic investment and acquisitions

We have made, and intend to continue to make, strategic acquisitions to solidify our current market presence and expand into new industries. For example, in March 2021, we acquired all the equity interests of EliteCRM, a leading customer relationship management software provider, and in December 2021, we acquired all the equity interests of Zhuge, a user-centric intelligent data solution provider. We intend to selectively pursue strategic alliances and investments to further strengthen our competitiveness. We expect to evaluate and execute alliance, investment and acquisition opportunities that complement and scale up our business, optimize our profitability, help us expand into adjacent industries and add new capabilities to our cloud-based solutions. Our strategic alliances, investments and acquisitions would likely impact our business, results of operations and financial condition.

Seasonality

Our business is subject to seasonal fluctuations. We believe that our quarterly sales are affected by industry buying patterns. Our customers, especially large enterprises, tend to enter into contracts with us in the second half of each year in accordance with their budget cycles. As such, we generally record higher revenues during such periods. In addition, we typically generate lower revenues in the first quarter during or around Chinese New Year holiday. Changes in seasonal trends may cause fluctuations in our results of operations and financial condition.

Key Operating Metrics

	As of/For the Year Ended December 31,		
	2021	2022	2023
Number of active customers	11,406	9,980	8,703
Number of large-enterprise customers	142	118	121
Percentage of revenue contribution by large-enterprise customers	72.1%	65.0%	67.0%
Dollar-based net customer retention rate	90.2%	61.7%	85.8%

* The operating metrics as of/for the year ended December 31, 2021 include the operating metrics of EliteCRM since the second quarter of 2021, which we acquired in March 2021, and exclude the operating metrics of Zhuge, which we acquired in December 2021. The operating metrics of EliteCRM and Zhuge are included in the operating metrics as of/for the year ended December 31, 2022 and 2023, except that the dollar-based net customer retention rate does not include the operating results of Zhuge in 2022 due to the lack of data for calculation in 2021.

Our dollar-based net customer retention rate decreased from 90.2% in 2021 to 61.7% in 2022, as we strategically downsized our business of CPaaS solutions. Our dollar-based net customer retention rate increased to 85.8% in 2023, primarily due to an increase in the business demand for text messaging services from our financial institution customers. In 2021, 2022 and 2023, our dollar-based net customer retention rate for active customers was 94.2%, 64.5% and 89.0%, respectively.

We expect that, as the applicable regulatory framework becomes more established and China's economy recovers from the COVID-19 pandemic, and as we continuously optimize our existing solutions and develop new features and solutions, our dollar-based net customer retention rate will remain stable at a relatively high level.

Non-GAAP Financial Measures

To supplement our consolidated financial statements which are presented in accordance with U.S. GAAP, we also use non-GAAP net loss and adjusted EBITDA as additional non-GAAP financial measures. We present the non-GAAP financial measures because they are used by our management to evaluate our operating performance. We also believe that the non-GAAP financial measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

We define non-GAAP net loss as net loss excluding share-based compensation, change in fair value of warrant liabilities, change in fair value of long-term investments, (gain)/loss from disposal of subsidiaries, net, gain from disposal of long-term investments, impairment loss of long-term investments, impairment loss of intangible assets, impairment loss of goodwill, provision for U.S class action, and other operating expenses. We define adjusted EBITDA as net loss excluding depreciation and amortization, interest expenses, net, income tax expense/(benefit), share-based compensation, investment income, impairment loss of long-term investments, impairment loss of intangible assets, impairment loss of goodwill, provision for U.S class action, other operating expenses, (gain)/loss from disposal of subsidiaries, net, gain from disposal of long-term investments, share of losses of equity method investments, change in fair value of warrant liabilities, change in fair value of long-term investments, and foreign currency exchange (gains)/losses, net. We believe that non-GAAP financial measures provide useful information to investors and others in understanding and evaluating our operating results. The non-GAAP financial measures adjust for the impact of items that we do not consider indicative of the operational performance of our business and should not be considered in isolation or construed as an alternative to net loss or any other measure of performance or as an indicator of our operating performance. Investors are encouraged to compare the historical non-GAAP financial measures with the most directly comparable GAAP measures. The non-GAAP financial measures presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

The following table sets forth a reconciliation of our non-GAAP financial measures to net loss for the years indicated.

	Year Ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US$
	(in thousands)			
Net loss	**(904,452)**	**(975,899)**	**(412,374)**	**(58,083)**
Add:				
Share-based compensation	277,616	107,462	22,239	3,133
Change in fair value of warrant liabilities	29,011	—	—	—
Change in fair value of long-term investments	(47,247)	—	—	—
(Gain)/loss from disposal of subsidiaries, net	(2,899)	2,739	—	—
Gain from disposal of long-term investments	—	(5,138)	—	—
Impairment loss of long-term investments	6,603	7,400	8,011	1,128
Impairment loss of intangible assets	136	28,011	—	—
Impairment loss of goodwill	149,092	107,407	—	—
Provision for U.S class action	—	83,575	—	—
Other operating expenses	51,354	70,417	—	—
Non-GAAP net loss	**(440,786)**	**(574,026)**	**(382,124)**	**(53,822)**
Net loss	**(904,452)**	**(975,899)**	**(412,374)**	**(58,083)**
Add:				
Depreciation and amortization	10,504	13,893	8,775	1,236
Interest expenses, net	(10,978)	(14,199)	(26,826)	(3,778)
Income tax expense/(benefit)	11,120	(342)	(564)	(79)
EBITDA:	**(893,806)**	**(976,547)**	**(430,989)**	**(60,704)**
Adjust:				
Share-based compensation	277,616	107,462	22,239	3,133
Investment income	—	(340)	(563)	(79)
Impairment loss of long-term investments	6,603	7,400	8,011	1,128
Impairment loss of intangible assets	136	28,011	—	—
Impairment loss of goodwill	149,092	107,407	—	—
Provision for U.S class action	—	83,575	—	—
Other operating expenses	51,354	70,417	—	—
(Gain)/loss from disposal of subsidiaries, net	(2,899)	2,739	—	—
Gain from disposal of long-term investments	—	(5,138)	—	—
Share of losses of equity method investments	596	1,969	1,470	207
Change in fair value of warrant liabilities	29,011	—	—	—
Change in fair value of long-term investments	(47,247)	—	—	—
Foreign currency exchange (gains)/losses, net	6,696	9,666	(5,699)	(803)
Adjusted EBITDA	**(422,848)**	**(563,379)**	**(405,431)**	**(57,118)**

Key Components of Our Results of Operations

Revenues

We generate revenue primarily from the sales of our CPaaS, cloud-based CC and cloud-based UC&C solutions. In 2021, 2022 and 2023, our revenues were RMB752.7 million, RMB593.6 million and RMB571.0 million (US$80.4 million), respectively. The following table sets forth the breakdown of our total revenues both in absolute amount and as a percentage of total revenues in the years indicated.

	Year Ended December 31,						
	2021		2022		2023		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
CPaaS							
Text messaging	235,842	31.3	119,416	20.1	136,654	19,247	23.9
Voice calls	56,892	7.6	25,953	4.4	25,958	3,656	4.5
Jointly-operated CPaaS	22,546	3.0	27,591	4.6	15,439	2,175	2.7
IoT	30,467	4.0	13,268	2.2	13,937	1,963	2.4
Others	3,122	0.4	5,936	1.0	3,423	482	0.6
Subtotal	**348,869**	**46.3**	**192,164**	**32.4**	**195,411**	**27,523**	**34.2**
Cloud-based CC							
Recurring[(1)]	186,684	24.8	187,693	31.6	179,042	25,218	31.4
Project	89,442	11.9	123,072	20.7	77,919	10,975	13.6
Subtotal	**276,126**	**36.7**	**310,765**	**52.3**	**256,961**	**36,193**	**45.0**
Cloud-based UC&C	**125,358**	**16.7**	**89,350**	**15.1**	**117,554**	**16,556**	**20.6**
Other services	**2,335**	**0.3**	**1,355**	**0.2**	**1,098**	**155**	**0.2**
Total revenues	**752,688**	**100.0**	**593,634**	**100.0**	**571,024**	**80,427**	**100.0**

(1) Includes cloud-based CC solutions deployed primarily on public cloud, for which we charge a combination of seat subscription fees and related resource usage fees.

Our revenues from CPaaS solutions primarily include usage-based fees for sending text messages and making voice calls. We generally charge our customers on a recurring basis, based on the monthly number of text messages and call minutes facilitated through our CPaaS solutions. We also assist and support mobile network operators in establishing and operating communications service platforms, and recognize revenues pursuant to the revenue sharing arrangements. In addition, we recognize revenues from IoT related services on a net basis.

Our revenues from cloud-based CC solutions primarily consist of seat subscription fees and related resource usage fees, and to a lesser extent, software license fees and related service fees. We charge customers using our cloud-based CC solutions deployed on public cloud a combination of seat subscription fees and related resource usage fees that are determined according to the capacity and number of functional modules embedded as well as the number of texts and call minutes facilitated through our solutions. In 2021, 2022 and 2023, solutions that we offer on a recurring basis generated 67.6%, 60.4% and 69.7% of our revenues from cloud-based CC solutions, respectively. We generally charge customers using our solutions deployed on private cloud software license fees and related customized service fees that are negotiated on a project basis and recognize revenues in accordance with the agreed-upon project milestones. The delivery cycle of our project-based cloud-based CC solutions typically ranges from three to 12 months.

Our revenues from cloud-based UC&C solutions primarily consist of software license fees and related services fees from individual projects, and to a lesser extent, service fees relating to maintenance and upgrade services. We negotiate these fees with customers on a project basis and charge them in accordance with the agreed-upon project milestones. The delivery cycle of our project-based cloud-based UC&C solutions typically ranges from three to 12 months. Additionally, we also generate revenues from software development and other technical support service fees charged on a project basis.

Our revenues from other services primarily consist of revenues generated from mobile network operator services and cloud-based value-added services.

Cost of revenues

Our cost of revenues primarily consists of (1) costs paid for telecommunications resources, (2) outsourcing costs, (3) infrastructure and equipment costs, and (4) staff costs related to solution delivery. In 2021, 2022 and 2023, our cost of revenues was RMB408.8 million, RMB367.3 million and RMB366.4 million (US$51.6 million), respectively. The following table sets forth the breakdown of our cost of revenues by nature both in absolute amount and as a percentage of total cost of revenues in the years indicated.

	Year Ended December 31,						
	2021		2022		2023		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Costs of telecommunications resources	313,912	65.3	189,376	51.6	201,683	28,407	55.0
Outsourcing costs	85,174	17.7	99,608	27.1	49,264	6,939	13.5
Infrastructure and equipment costs	40,633	8.5	41,656	11.3	40,011	5,635	10.9
Staff costs	35,415	7.4	33,266	9.1	68,459	9,642	18.7
Rentals and others	5,621	1.2	3,428	0.9	6,958	980	1.9
Total cost of revenues	**480,755**	**100.0**	**367,334**	**100.0**	**366,375**	**51,603**	**100.0**

Costs of telecommunications resources represent fees we pay to mobile network operators based on the number of texts and minutes of voice calls we subscribed for. We typically enter into annual contracts with mobile network operators which set forth the unit price for each text message and every minute of voice call. In 2021, 2022 and 2023, costs of telecommunications resources represented the largest portion of our cost of revenues, representing 65.3%, 51.6% and 55.0% of our total cost of revenues, respectively. We also outsource certain parts of the solution delivery and incur outsourcing costs. Infrastructure and equipment costs relate to our use of servers and our purchase of hardware and equipment to support our solutions. Staff costs represent compensation paid to employees who primarily deliver solution customization and perform other services to customers. Rentals and others primarily consist of rental costs related to our leases.

The following table sets forth the breakdown of our cost of revenues by service type both in absolute amount and as a percentage of total cost of revenues in the years indicated.

	Year Ended December 31,						
	2021		2022		2023		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
CPaaS							
Text messaging	221,065	46.0	111,999	30.5	128,564	18,108	35.1
Voice calls	44,872	9.3	24,133	6.6	24,026	3,384	6.6
Jointly-operated CPaaS	572	0.1	281	0.1	262	37	0.1
IoT	—	—	—	—	—	—	—
Others	3,935	0.8	2,968	0.8	2,754	388	0.8
Subtotal	**270,444**	**56.3**	**139,381**	**37.9**	**155,606**	**21,917**	**42.5**
Cloud-based CC							
Recurring(1)	88,843	18.5	95,260	25.9	86,109	12,128	23.5
Project	47,337	9.8	70,851	19.3	42,997	6,056	11.7
Subtotal	**136,180**	**28.3**	**166,111**	**45.2**	**129,106**	**18,184**	**35.2**
Cloud-based UC&C	**73,346**	**15.3**	**60,936**	**16.6**	**80,722**	**11,369**	**22.0**
Other services	**785**	**0.2**	**906**	**0.2**	**941**	**133**	**0.3**
Total cost of revenues	**480,755**	**100.0**	**367,334**	**100.0**	**366,375**	**51,603**	**100.0**

(1) Includes cloud-based CC solutions deployed primarily on public cloud, for which we charge a combination of seat subscription fees and related resource usage fees.

Gross profit

Our gross profit was RMB271.9 million, RMB226.3 million and RMB 204.6 million (US$28.8 million) in 2021, 2022 and 2023, respectively. Our overall gross profit margin was 36.1%, 38.1% and 35.8%, respectively. The following table sets forth a breakdown of our gross profit and gross profit margin.

	Year Ended December 31,						
	2021		2022		2023		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
CPaaS	78,425	22.5	52,783	27.5	39,805	5,606	20.4
Cloud-based CC[(1)]	139,946	50.7	144,654	46.5	127,855	18,009	49.8
Cloud-based UC&C	52,012	41.5	28,414	31.8	36,832	5,187	31.3
Other services	1,550	66.4	449	33.1	157	22	14.3
Total	**271,933**	**36.1**	**226,300**	**38.1**	**204,649**	**28,824**	**35.8**

(1) The gross profit margin for cloud-based CC solutions that we offer on a recurring basis was 52.4%, 49.2% and 51.9% in 2021, 2022 and 2023, respectively.

The gross profit margin of our CPaaS solutions and cloud-based CC solutions that we offer on a recurring basis is primarily affected by the costs of telecommunications resources we paid to mobile network operators, which represented a majority of the costs for these solutions in 2021, 2022 and 2023. See "—Factors Affecting our Results of Operations—Controlling costs and expenses" for details of the impacts.

The gross profit margin of our cloud-based CC solutions on a project basis and cloud-based UC&C solutions is affected primarily by the maturity and complexity of a specific project. See "—Factors Affecting our Results of Operations—Managing development cycle" for details of the impacts.

Operating expenses

The following table sets forth our operating expenses, both in absolute amount and as a percentage of our total operating expenses, for the years indicated.

	Year Ended December 31,						
	2021		2022		2023		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Research and development expenses	297,360	30.3	326,513	35.8	222,538	31,344	34.7
Selling and marketing expenses	300,043	30.5	265,304	29.1	227,543	32,049	35.5
General and administrative expenses	385,498	39.2	319,217	35.1	191,113	26,918	29.8
Total	**982,901**	**100.0**	**911,034**	**100.0**	**641,194**	**90,311**	**100.0**

Research and development expenses

Our research and development expenses were RMB297.4 million, RMB326.5 million and RMB222.5 million (US$31.3 million) in 2021, 2022 and 2023, respectively, primarily representing (1) compensation paid to our research and development staff and (2) technology service expenses paid to outsourcing service providers for the development of certain non-core features and functions in cloud-based UC&C solutions.

Selling and marketing expenses

Our selling and marketing expenses were RMB300.0 million, RMB265.3 million and RMB227.5 million (US$32.0 million) in 2021, 2022 and 2023, respectively, primarily representing (1) compensation paid to our sales and marketing staff, (2) our spending on online advertisement and other online promotional events to reach more customers, and (3) participation and organization of offline events to boost our brand image.

General and administrative expenses

Our general and administrative expenses were RMB385.5 million, RMB319.2 million and RMB191.1 million (US$26.9 million) in 2021, 2022 and 2023, respectively, primarily representing (1) compensation paid to our administrative staff and management team, including share-based compensation expenses, (2) professional services fees, rentals and certain administrative expenses, and (3) provision for doubtful accounts.

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the years indicated, both in absolute amount and as a percentage of our revenues. You should read this information together with our consolidated financial statements and related notes included elsewhere in this annual report. The results of operations in any period are not necessarily indicative of the results that may be expected for any future periods.

	Year Ended December 31,						
	2021		2022		2023		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Revenues	752,688	100.0	593,634	100.0	571,024	80,427	100.0
Cost of revenues	(480,755)	(63.9)	(367,334)	(61.9)	(366,375)	(51,603)	(64.2)
Gross profit	**271,933**	**36.1**	**226,300**	**38.1**	**204,649**	**28,824**	**35.8**
Operating expenses:							
Selling and marketing expenses	(300,043)	(39.9)	(265,304)	(44.7)	(227,543)	(32,049)	(39.8)
General and administrative expenses	(385,498)	(51.2)	(319,217)	(53.8)	(191,113)	(26,918)	(33.5)
Impairment loss of goodwill	(149,092)	(19.8)	(107,407)	(18.1)	—	—	—
Impairment loss of intangible assets	(136)	(0.0)	(28,011)	(4.7)	—	—	—
Provision for U.S Class Action	—	—	(83,575.0)	(14.1)	—	—	—
Other operating expenses	(51,354)	(6.8)	(70,417)	(11.9)	—	—	—
Research and development expenses	(297,360)	(39.5)	(326,513)	(55.0)	(222,538)	(31,344)	(39.0)
Total operating expenses	**(1,183,483)**	**(157.2)**	**(1,200,444)**	**(202.2)**	**(641,194)**	**(90,311)**	**(112.3)**
Operating loss	**(911,550)**	**(121.1)**	**(974,144)**	**(164.1)**	**(436,545)**	**(61,487)**	**(76.4)**
Interest expenses	(366)	(0.0)	(428)	(0.1)	—	—	(0.0)
Interest income	11,344	1.5	14,627	2.5	26,826	3,778	4.7
Investment income/(loss)	—	—	340	—	563	79	0
Share of losses of equity method investments	(596)	(0)	(1,969)	(0.3)	(1,470)	(207)	(0.3)
Gain from disposal of other equity investments	—	—	5,138	—	—	—	—
Change in fair value of long-term investment	47,247	6.3	—	—	—	—	—
Impairment loss of long-term investments	(6,603)	(1)	(7,400)	(1.2)	(8,011)	(1,128)	(1.4)
Change in fair value of warrant liabilities	(29,011)	(3.9)	—	—	—	—	—
Gain/(loss) from disposal of subsidiaries, net	2,899	0.4	(2,739)	(0.5)	—	—	—
Foreign currency exchange gains/(losses), net	(6,696)	(0.9)	(9,666)	(1.6)	5,699	803	1.0
Loss before income taxes	**(893,332)**	**(118.7)**	**(976,241)**	**(164.4)**	**(412,938)**	**(58,162)**	**(72.3)**
Income tax (expense)/benefit	(11,120)	(1.5)	342	0.1	564	79	0.1
Net loss	**(904,452)**	**(120.2)**	**(975,899)**	**(164.4)**	**(412,374)**	**(58,083)**	**(72.2)**

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

Revenues

Our revenues decreased by 3.8% from RMB593.6 million in 2022 to RMB571.0 million (US$80.4 million) in 2023, primarily due to the following.

- Revenues from our CPaaS solutions remained relatively stable at RMB192.2 million and RMB195.4 million (US$27.5 million) in 2022 and 2023, respectively, primarily due to a 14.4% increase in revenues generated from our text messaging services from RMB119.4 million in 2022 to RMB136.7 million (US$19.2 million) in 2023, which was primarily due to business recovery from the impact of COVID-19 pandemic, partially offset by a 44.0% decrease in revenues generated from our jointly-operated CPaaS services from RMB27.6 million in 2022 to RMB15.4 million (US$2.2 million) in 2023 because we terminated the cooperation with respect to one of the communications service platforms jointly operated with mobile network operators.

- Revenues from our cloud-based CC solutions decreased by 17.3% from RMB310.8 million in 2022 to RMB257.0 million (US$36.2 million) in 2023. Our recurring revenues decreased by 4.6% from RMB187.7 million in 2022 to RMB179.0 million (US$25.2 million) in 2023, primarily due to the decreased demands from our customers. Our project-based revenues decreased by 36.7% from RMB123.1 million in 2022 to RMB77.9 million (US$11.0 million) in 2023, primarily due to the decreased average project value in 2023.

- Revenues from our cloud-based UC&C solutions increased by 31.6% from RMB89.4 million in 2022 to RMB117.6 million (US$16.6 million) in 2023, primarily due to projects delayed during the COVID-19 pandemic in 2021 and 2022 being delivered and revenues being recognized in 2023.

Cost of revenues

Our cost of revenues remained relatively stable at RMB367.3 million in 2022 and RMB366.4 million (US$51.6 million) in 2023, primarily due to the following.

- Cost of revenues from our CPaaS solutions increased by 11.6% from RMB139.4million in 2022 to RMB155.6 million (US$21.9 million) in 2023, primarily due to a 14.8% increase in costs related to text messaging from RMB112.0 million in 2022 to RMB128.6 million (US$18.1 million) in 2023, generally in line with the increased revenues from our text messaging services. Our costs related to text messaging are affected by the number of texts sent by our customers and the unit price charged by the major mobile network operators in China.

- Cost of revenues from our cloud-based CC solutions decreased by 22.3% from RMB166.1 million in 2022 to RMB129.1 million (US$18.2 million) in 2023, primarily due to (1) a 39.3% decrease in cost of revenues from our project-based cloud-based CC solutions from RMB70.9 million in 2022 to RMB43.0 million (US$6.1 million) in 2023 mainly due to the decreased business scale and the decreased outsourcing costs for certain projects that we undertook, and (2) a 9.6% decrease in cost of revenues from our subscription-based cloud-based CC solutions from RMB95.3 million in 2022 to RMB86.1 million (US$12.1 million) in 2023 mainly due to the decreased business scale and the decrease in the number of minutes of voice calls that we facilitated through our solutions.

- Cost of revenues from our cloud-based UC&C solutions increased by 32.5% from RMB60.9 million in 2022 to RMB80.7 million (US$11.4 million) in 2023, primarily due to the increased business scale.

Gross profit

As a result of the foregoing, our gross profit decreased by 9.6% from RMB226.3 million in 2022 to RMB204.6 million (US$28.8 million) in 2023. Our gross profit margin decreased from 38.1% in 2022 to 35.8% in 2023, primarily due to a lower proportion of revenues generated from our cloud-based CC solutions, which typically have higher profit margins as compared to CPaaS solutions.

Operating expenses

- Research and development expenses. Our research and development expenses decreased by 31.8% from RMB326.5 million in 2022 to RMB222.5 million (US$31.3 million) in 2023, primarily due to (1) a 35.4% decrease in the R&D staff expenses of RMB97.9 million (US$13.8 million), mainly due to decreases in the headcount of and the compensation level for our R&D personnel, (2) a 24.4% decrease in the technology service expenses of RMB6.8 million (US$1.0 million) as our solutions grew mature, and (3) a 39.3% decrease in lease expenses of RMB5.5 million (US$0.8 million), which was in line with the reduced R&D headcount, partially offset by an increase in the share-based compensation expenses from negative RMB6.0 million in 2022 to RMB1.7 million (US$0.2 million) in 2023, mainly due to the departure of certain R&D staff in 2022.

- Selling and marketing expenses. Our selling and marketing expenses decreased by 14.2% from RMB265.3 million in 2022 to RMB227.5 (US$32.0 million) in 2023, primarily due to (1) a 14.8% decrease in staff expenses of RMB27.5 million (US$3.9 million), mainly due to decreases in the headcount of and the compensation level for our sales and marketing personnel, and (2) a 18.6% decrease in spending on advertising campaigns and marketing activities of RMB9.8 million (US$1.4 million), mainly due to our expenses control measures.

- General and administrative expenses. Our general and administrative expenses decreased by 40.1% from RMB319.2 million in 2022 to RMB191.1 million (US$26.9 million) in 2023, primarily due to (1) an 85.1% decrease in share-based compensation expenses of RMB96.6 million (US$13.6 million), mainly due to a decrease in amortized expenses as the options vested, and (2) a 24.5% decrease in staff expenses of RMB20.9 million (US$2.9 million) , mainly due to decreases in the headcount of and the compensation level for our management and administrative personnel, partially offset by a 29.3% increase in the service fees paid to third parties of RMB15.9 million (US$2.2 million).

- Impairment loss of goodwill. We did not record impairment loss of goodwill in 2023, as compared to RMB107.4 million recorded in 2022, primarily because the fair value of reporting unit was less than the carrying amount as of December 31, 2022.

- Other operating expenses. We did not record operating expenses in 2023, as compared to RMB70.4 million recorded in 2022, primarily because we expensed the prepayments in 2022 as we expected that there was a possibility that such amounts might not be fully recovered in the future.

Operating loss

As a result of the foregoing, our operating loss decreased by 55.2% from RMB974.1 million in 2022 to RMB436.5 million (US$61.5 million) in 2023.

Other income and expenses

- Interest expenses. Our interest expenses decreased from RMB0.4 million in 2022 to nil in 2023, as we had no borrowings in 2023.

- Interest income. Our interest income increased by 83.4% from RMB14.6 million in 2022 to RMB26.8 million (US$3.8 million) in 2023, primarily due to the increases in average deposits and interest rate.

- Investment income. Our investment income increased by 65.6% from RMB0.3 million in 2022 to RMB0.6 million (US$79,000), primarily due to the increased realized gain related to short-term investments.

- Share of losses of equity method investments. Our share of losses of equity method investments decreased by 25.3% from RMB2.0 million in 2022 to RMB1.5 million (US$0.2 million) in 2023, primarily due to the decreased losses incurred by an equity investee that we invested in.

- Gain from disposal of long-term investments. We recorded gain from disposal of long-term investments of nil in 2023 as we had no such disposal in the same year, as compared to RMB5.1 million in 2022.

- Impairment loss of long-term investments. We incurred impairment loss of long-term investments of RMB8.0 million (US$1.1 million) in 2023, as compared to RMB7.4 million in 2022, primarily due to a non-temporary impairment of the long-term investments.

- Gain from disposal of subsidiaries, net. We recorded gain from disposal of subsidiaries of nil in 2023 as we had no such disposal in the same year, as compared to gain from disposal of subsidiaries of RMB2.7 million in 2022.

- Foreign currency exchange gains/(losses), net. We recorded foreign currency exchange gains of RMB5.7 million (US$0.8 million) in 2023, as compared to foreign currency exchange loss of RMB9.7 million in 2022, primarily due to fluctuations in exchange rate between U.S. dollars and Renminbi.

Income tax (expense)/benefit

We recorded income tax benefit of RMB0.3 million and RMB0.6 million (US$79,000) in 2022 and 2023, respectively.

Net loss

As a result of the foregoing, our net loss decreased by 57.7% from RMB975.9 million in 2022 to RMB412.4 million (US$58.1 million) in 2023.

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

Revenues

Our revenues decreased by 21.1% from RMB752.7 million in 2021 to RMB593.6 million in 2022, primarily due to the following.

- Revenues from our CPaaS solutions decreased by 44.9% from RMB348.9 million in 2021 to RMB192.2 million in in 2022, primarily due to (1) a 49.4% decrease in revenues generated from our text messaging services from RMB235.8 million in 2021 to RMB119.4 million in 2022, (2) a 54.4% decrease in revenues generated from our voice call services from RMB56.9 million in 2021 to RMB 26.0 million in 2022, and (3) a 56.5% decrease in revenues generated from our IoT services from RMB30.5 million in 2021 to RMB 13.3 million in 2022, all of which were due to our strategic adjustment of business and the impact of local outbreaks of COVID-19.

- Revenues from our cloud-based CC solutions increased by 12.5% from RMB276.1 million in 2021 to RMB310.8 million in 2022. Our recurring revenues increased by 0.5% from RMB186.7 million in 2021 to RMB187.7 million in 2022, primarily because we acquired Zhuge in December 2021 and devoted more resources to our cloud-based CC solutions, which contributed to our business growth, partially offset by decreased usage of certain enterprise customers as they were affected by the continued impact from COVID-19 outbreak. Our project-based revenues increased by 37.6% from RMB89.4 million in 2021 to RMB123.1 million in 2022, primarily due to an increase in the number of projects as a result of our business expansion.

- Revenues from our cloud-based UC&C solutions decreased by 28.7% from RMB125.4 million in 2021 to RMB89.4 million in 2022, primarily due to the impact of local outbreaks of COVID-19 on our business development and project delivery.

Cost of revenues

Our cost of revenues decreased by 23.6% from RMB480.8 million in 2021 to and RMB367.3 million in 2022, respectively, primarily due to the following.

- Cost of revenues from our CPaaS solutions decreased by 48.5% from RMB270.4 million in 2021 to RMB139.4 in 2022, primarily due to (1) a 49.4% decrease in costs related to text messaging from RMB221.1 million in 2021 to RMB112.0 million in 2022, and (2) a 46.2% decrease in costs related to voice call services from RMB44.9 million in 2021 to RMB24.1 million in 2022, both of which were mainly due to the decreased usages of text messages and voice calls.

- Cost of revenues from our cloud-based CC solutions increased by 22.0% from RMB136.2 million in 2021 to RMB166.1 million in 2022, primarily due to (1) a 49.7% increase in cost of revenues from our project-based cloud-based CC solutions from RMB47.3 million in 2021 to RMB70.9 million in 2022 primarily as a result of increased business scale, and (2) 7.2% increase in cost of revenues from our subscription-based cloud-based CC solutions from RMB88.8 million in 2021 to RMB95.3 million in 2022 primarily as a result of increased business scale, to which our acquisition of Zhuge also contributed.

- Cost of revenues from our cloud-based UC&C solutions decreased by 16.9% from RMB73.3 million in 2021 to RMB60.9 million in 2022, primarily due to the decrease in the number of projects delivered.

Gross profit

As a result of the foregoing, our gross profit decreased by 16.5% from RMB271.9 million in 2021 to RMB226.3 million in 2022. Our gross profit margin increased from 36.1% in 2021 to 38.1% in 2022, primarily due to a greater portion of revenues generated from our cloud-based CC solutions, which typically have higher profit margins as compared to CPaaS solutions.

Operating expenses

- Research and development expenses. Our research and development expenses increased by 9.8% from RMB297.4 million in 2021 to RMB326.5 million in 2022, primarily due to (1) a 29.7% increase in the R&D staff expenses of RMB63.3 million as we recruited highly regarded experts in the second half of 2021 to develop core features and functions for our cloud-based CC solutions and cloud-based UC&C solutions, (2) a 28.4% increase in the lease expenses of RMB3.1 million, which was in line with the increased number of R&D staff, partially offset by (i) a significant decrease in the share-based compensation expenses of RMB24.5 million due to the departure of certain R&D staff in the second half of 2022, and (ii) a 35.0% decrease in the technology service expenses paid to the outsourcing service providers of RMB15.1 million as an increased proportion of our R&D activities was carried out by our enlarged in-house R&D team.

- Selling and marketing expenses. Our selling and marketing expenses decreased by 11.6% from RMB300.0 million in 2021 to RMB265.3 in 2022, primarily due to (1) a 26.8% decrease in spending on advertising campaigns and marketing activities of RMB19.3 million as a result of the impact of local outbreaks of COVID-19, (2) a 97.6% decrease in share-based compensation expenses of RMB20.6 million due to the departure of certain sales and marketing staff in the second half of 2022, partially offset by a 4.2% increase in staff expenses of RMB7.5 million due to the increase in the number of highly compensated employees as we recruited more talents in the second half of 2021 to achieve business growth.

- General and administrative expenses. Our general and administrative expenses decreased by 17.2% from RMB385.5 million in 2021 to RMB319.2 million in 2022, primarily due to a 52.2% decrease in share-based compensation expenses of RMB123.9 million due to the departure of certain general and administrative staff in the second half of 2022, partially offset by (i) a significant increase in the service fees paid to third parties of RMB37.4 million, and (ii) a 31.2% increase in staff expenses of RMB20.3 million primarily due to the increase in the number of highly compensated employees as we recruited more talents in the second half of 2021 to improve our administrative efficiency.

- Impairment loss of goodwill. We recorded impairment loss of goodwill of RMB107.4 million in 2022, as compared to RMB149.1 million in 2021, primarily due to the fair value of reporting unit is less than the carrying amount.

- Other operating expenses. We recorded other operating expenses of RMB70.4 million in 2022, as compared to RMB51.4 million in 2021, primarily because we expensed the prepayments as we concluded that there is a possibility that such amounts may not be fully recovered in the future according to the conservatism principle of accounting.

Operating loss

As a result of the foregoing, our operating loss increased from RMB911.6 million in 2021 to RMB974.1 million in 2022.

Other income and expenses

- Interest expenses. Our interest expenses increased by 16.9% from RMB0.4 million in 2021 to RMB0.4 million in 2022, primarily due to an increase in average borrowings.

- Interest income. Our interest income increased by 28.9% from RMB11.3 million in 2021 to RMB14.6 million in 2022, primarily due to an increase in average deposit interest rate.
- Investment income. We recorded investment income of RMB0.3 million in 2022, as compared to nil in 2021, primarily relating to our short-term investments.

- Share of losses of equity method investments. Our share of losses of equity method investments increased significantly from RMB0.6 million in 2021 to RMB2.0 million in 2022, primarily due to the losses incurred by an equity investee we invested in in December 2021.
- Gain from disposal of long-term investments. We recorded gain from disposal of long-term investments of RMB5.1 million in 2022, as compared to nil in 2021, primarily as we disposed of our interests in an equity investee.
- Impairment loss of long-term investments. We incurred impairment loss of long-term investments of RMB7.4 million in 2022, as compared to RMB6.6 million in 2021, primarily due to a non-temporary impairment of long-term investments.
- Change in fair value of long-term investments. We recorded change in fair value of long-term investments of nil in 2022, as compared to RMB47.2 million in 2021, primarily due to the fair value change of our other equity investments with an observable price in 2021.
- Change in fair value of warrant liabilities. We recorded change in fair value of warrant liabilities of nil in 2022, as compared to RMB29.0 million in 2021, primarily due to the fair value change of Series C warrant, Series E warrant and Series F warrant, which was exercised in March 2021, November 2020, and January 2021, respectively.
- Gain/(loss) from disposal of subsidiaries, net. We recorded loss from disposal of subsidiaries of RMB2.7 million in 2022, as compared to gain from disposal of subsidiaries of RMB2.9 million in 2021.
- Foreign currency exchange gains/(losses), net. We recorded foreign currency exchange losses of RMB9.7 million in 2022, as compared to foreign currency exchange loss of RMB6.7 million in 2021, primarily due to fluctuations in exchange rate between U.S. dollars and Renminbi.

Income tax benefit/(expense)

We incurred income tax expense of RMB11.1 million and income tax benefit of RMB0.3 million in 2021 and 2022, respectively.

Net loss

As a result of the foregoing, our net loss increased by 7.9% from RMB904.5 million in 2021 to RMB975.9 million in 2022.

B. Liquidity and Capital Resources

In 2021, 2022 and 2023, we incurred net loss of RMB904.5 million, RMB975.9 million and RMB412.4 million (US$58.1 million), and our net cash used in operating activities was RMB238.1 million, RMB567.3 million and RMB516.2 million (US$72.7 million) in the same years, respectively. In 2021, cash flow from financing activities, such as cash generated from issuance of preferred shares and long-term borrowings, and proceeds from our initial public offering, have been our principal sources of liquidity. In 2022 and 2023, we recorded cash used in financing activities of RMB52.8 million and nil, respectively. In 2021, net cash provided by financing activities amounted to RMB2,444.7 million. In 2022 and 2023, net cash used in financing activities was RMB52.8 million and nil, respectively. We recorded net cash used in investing activities of RMB1,814.6 million in 2021. In 2022 and 2023, net cash provided by investing activities was RMB351.6 million and RMB351.3 million (US$49.5 million), respectively.

Based upon service type and our assessment of customers' credit and ongoing relationships, our payment terms typically range from 60 to 180 days after our customers have been billed. Days sales outstanding, calculated by gross accounts receivable outstanding as of the year end divided by revenues for the year and multiplied by the number of days in such year, were 105 days, 132 days and 156 days for 2021, 2022 and 2023, respectively. Our days sales outstanding increased from 132 days in 2022 to 156 days in 2023, primarily because we extended payment cycles for large customers to maintain stable customer relationship. Our days sales outstanding increased from 105 days in 2021 to 132 days in 2022, primarily due to the extended payment cycles caused by the local outbreaks of COVID-19. We will closely monitor our outstanding accounts receivable and follow up with relevant customers on a continuous basis in order to collect overdue balances.

In February 2016, Ronglian Yitong entered into a two-year credit facility with SPD Silicon Valley Bank, or SPD, to borrow up to RMB40.0 million. In December 2017, the credit line was decreased from RMB40.0 million to RMB20.0 million, and Ronglian Yitong entered into another one-year credit facility with SPD to borrow up to RMB20.0 million. In December 2018, Ronglian Yitong entered into an additional two-year credit facility with SPD to borrow up to RMB40.0 million to support our working capital. These facilities were pledged by accounts receivable - third parties of Ronglian Yitong. As of December 31, 2019, accounts receivable - third parties and other receivables of Ronglian Yitong of RMB124.3 million, RMB8.5 million, respectively, were restricted as they were served as pledged securities to such bank borrowings under these credit facilities. The secured bank loans matured and were paid off in full in December 2020 and the accounts receivable - third parties and other receivables of Ronglian Yitong were released from pledge in the meantime. In June 2020, Beijing Ronglian Guanghui Technology Co., Ltd., Ronglian Qimo, and Beijing Ronglian Huitong Technology Information Co., Ltd., all of which are the affiliated entities in China, entered into a one-year credit facility with Bank of Beijing to borrow up to RMB3.0 million, RMB4.0 million and RMB3.0 million, respectively. In August 2020, Ronglian Yitong obtained unsecured short-term bank borrowings in the amount of RMB10.0 million from Bank of Beijing. Such bank borrowings from Bank of Beijing were paid off in full in 2021. In December 2021, we obtained secured bank loans of RMB5.5 million (US$0.9 million) from the business acquisition of Zhuge, which were secured by the founder of Zhuge. As of December 31, 2023, we did not have short-term bank borrowings.

As of December 31, 2023, 78.3% of our cash and cash equivalents were held in China, and 34.9% were held by the VIE and denominated in Renminbi. Although we consolidate the results of the affiliated entities, we do not have direct access to the cash and cash equivalents or future earnings of the affiliated entities. However, a portion of the cash balances of the affiliated entities will be paid to us pursuant to our contractual arrangements with the affiliated entities. For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Holding Company Structure."

We believe that our existing cash and cash equivalents and anticipated cash flows from operating and financing activities will be sufficient to meet our anticipated working capital requirements, and capital expenditures in the ordinary course of business for the next 12 months. We may, however, require additional cash resources due to changing business conditions or other future developments, including acquisitions or investments we may decide to selectively pursue. If our existing cash resources are insufficient to meet our requirements, we may seek to issue equity or debt securities or obtain credit facilities. The issue of additional equity securities would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. If we are unable to obtain additional equity or debt financing as required, our business operations and prospects may suffer. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We may need additional capital, and we may be unable to obtain such capital in a timely manner or on acceptable terms, or at all."

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

	Year Ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US$
	(in thousands)			
Net cash used in operating activities	(238,079)	(567,270)	(516,202)	(72,707)
Net cash (used in)/provided by investing activities	(1,814,560)	351,628	351,294	49,479
Net cash provided by/(used in) financing activities	2,444,749	(52,765)	—	—
Effect of foreign currency exchange rate changes on cash	(36,235)	138,795	20,092	2,831
Net increase/(decrease) in cash and restricted cash	355,875	(129,612)	(144,816)	(20,397)
Cash and restricted cash at the beginning of the year	301,002	656,877	527,265	74,264
Cash and restricted cash at the end of the year	656,877	527,265	382,449	53,867

Operating activities

Net cash used in operating activities was RMB516.2 million (US$72.7 million) in 2023, primarily due to net loss of RMB412.4 million (US$58.1 million), adjusted primarily by (1) non-cash items including share-based compensation of RMB22.2 million (US$3.1 million), allowance for doubtful accounts RMB16.5 million (US$2.3 million), depreciation of property and equipment and amortization of intangible assets of RMB8.8 million (US$1.2 million), impairment loss of long-term investments of RMB8.0 million (US$1.1 million), (2) changes in working capital that negatively affected operating cash flow, including a decrease in accrued expenses and other current liabilities of RMB118.2 million (US$16.6 million) primarily relating to payment for U.S class action, a decrease in accounts payable of RMB34.4 million (US$4.8 million) primarily due to the increase of payment to mobile network operators for telecommunications resources, and an increase in accounts receivable from third parties, net of RMB28.1 million (US$4.0 million) primarily due to the decrease in customer collections, and (3) changes in working capital that positively affected operating cash flow, including a decrease in contract assets of RMB26.7 million (US$3.8 million) primarily as such amounts were reclassified into accounts receivable following our issuance of invoices.

Net cash used in operating activities was RMB567.3 million in 2022, primarily due to net loss of RMB975.9 million, adjusted primarily by (1) non-cash items including share-based compensation of RMB107.5 million, impairment loss of goodwill of RMB107.4 million, provision for U.S class action of RMB83.6 million, impairment loss of intangible asset of RMB28.0 million and allowance for doubtful accounts of RMB25.6 million, (2) changes in working capital that negatively affected operating cash flow, including an increase in contract assets of RMB31.4 million, an increase in operating lease right-of-use assets of RMB25.2 million primarily as we adopted new accounting policies for operating leases in January 2022 and recognized right-of-use assets and lease liabilities based on the present value of the lease payments over the lease term, and a decrease in accounts payable of RMB24.6 million primarily due to the decrease in advances to mobile network operators for telecommunications resources, which was in line with the decrease in our CPaaS business, and (3) changes in working capital that positively affected operating cash flow, including an increase in contract liabilities of RMB61.9 million primarily as a result of the increase in cash received from customers, and an decrease in prepayments and other current assets of RMB27.6 million.

Net cash used in operating activities was RMB238.1 million in 2021, primarily due to net loss of RMB904.5 million, adjusted primarily by (1) non-cash items including share-based compensation of RMB277.6 million, impairment of goodwill of RMB149.1 million, change in fair value of long-term investments of RMB47.2 million, and change in fair value of warrant liabilities of RMB29.0 million, (2) changes in working capital that negatively affected operating cash flow, including an increase in prepayments and other current assets of RMB15.5 million primarily in relation to advances to mobile network operators for telecommunications resources, and (3) changes in working capital that positively affected operating cash flow, including an increase in contract liabilities of RMB95.0 million primarily as a result of the increase in cash received from customers, an increase in accrued expenses and other current liabilities of RMB59.3 million primarily relating to the fee recoupment by the depositary bank and receipt of individual option exercise payments, a decrease in accounts receivable from third parties of RMB34.3 million primarily due to the increase in collections from customers, and an increase in accounts payable of RMB28.2 million.

Investing activities

Net cash provided by investing activities was RMB351.3 million (US$49.5 million) in 2023, primarily due to cash received from maturity of term deposits of RMB1,308.9 million (US$184.4 million) and cash received from sale of short-term investments of RMB24.7 million (US$3.5 million), partially offset by cash paid for term deposits of RMB938.5 million (US$132.2 million) and cash paid for purchase of short-term investments of RMB28.2 million (US$4.0 million).

Net cash provided by investing activities was RMB351.6 million in 2022, primarily due to cash received from maturity of term deposits of RMB5,040.3 million, cash received from disposal of long-term investments of RMB65.0 million and cash received from sale of short-term investments of RMB64.8 million, partially offset by cash paid for term deposits of RMB4,345.9 million and cash paid for purchase of short-term investments of RMB349.4 million.

Net cash used in investing activities was RMB1,814.6 million in 2021, primarily due to cash paid for term deposits of RMB3,375.9 million, cash paid for business combination of RMB203.1 million, cash paid for purchase of short-term investments of RMB127.5 million, cash paid for purchase of equity method investments of RMB21.9 million and cash paid for purchase of other equity investments of RMB20.0 million, partially offset by cash received from maturity of term deposits of RMB1,926.4 million and cash received from consolidation of subsidiaries of RMB10.9 million.

Financing activities

We did not incur net cash used in or provided by financing activities in 2023, primarily because we possessed sufficient cash and did not engage in any financing activity in 2023.

Net cash used in financing activities was RMB52.8 million in 2022, primarily due to repurchase of treasury stock of RMB39.3 million, repayment of long-term borrowings of RMB8.0 million, and repayment for short-term bank borrowings of RMB5.5 million.

Net cash used in financing activities was RMB2,444.7 million in 2021, primarily due to proceeds from our initial public offering of RMB2,195.8 million, subscription amounts received for Series C and E redeemable convertible preferred shares of RMB336.2 million and proceeds from the exercise of Series F warrant of RMB219.7 million, partially offset by the payables to a shareholder of the VIE of RMB230.1 million and repurchase of treasury shares of RMB68.9 million.

Capital Expenditures

Our capital expenditures are incurred primarily in connection with purchase of property and equipment such as computer, software and office equipment and purchase of intangible assets including software copyrights and telecommunication business licenses. Our capital expenditures were RMB8.7 million, RMB6.8 million and RMB1.8 million (US$0.2 million) in 2021, 2022 and 2023, respectively. We intend to fund our future capital expenditures with our existing cash balance.

Holding Company Structure

We conduct our operations primarily through our subsidiaries and the affiliated entities in China. As a result, our ability to pay dividends depends upon dividends paid by our subsidiaries and fees paid by the affiliated entities. If our subsidiaries or any newly formed subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us.

In addition, our subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with the Accounting Standards for Business Enterprise as promulgated by the MOF, or PRC GAAP. Under PRC law, each of our PRC subsidiaries and the affiliated entities is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory surplus reserve until such reserve reaches 50% of its registered capital. In addition, our subsidiaries in China may allocate a portion of their after-tax profits based on PRC GAAP to enterprise expansion funds as well as staff bonus and welfare funds at its discretion, and the affiliated entities may allocate a portion of their after-tax profits based on PRC GAAP to a discretionary surplus fund at their discretion. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the statutory reserve funds are not distributable as cash dividends.

As an offshore holding company, we are permitted under PRC laws and regulations to provide funding from the proceeds of our offshore fundraising activities to our PRC subsidiaries only through loans or capital contributions, and to the affiliated entities only through loans, in each case subject to the satisfaction of the applicable government registration and approval requirements. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may affect our ability to capitalize or otherwise fund our PRC operations." As a result, there is uncertainty with respect to our ability to provide prompt financial support to our PRC subsidiaries and the affiliated entities in China when needed.

Financial Information Related to the VIE

The following tables present the consolidating schedule of financial information relating to Cloopen Group Holding Limited, or the Parent, consolidated affiliated entities and non-VIE consolidated entities as of and for the years ended December 31, 2021, 2022 and 2023.

Selected consolidated statements of comprehensive loss data

	Year ended December 31, 2021				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Total revenues	—	639,139	156,521	(42,972)	752,688
Cost of revenues	—	(427,786)	(72,085)	19,116	(480,755)
Gross profit	—	211,353	84,436	(23,856)	271,933
Operating expenses	(280,773)	(819,753)	(122,756)	39,799	(1,183,483)
Operating loss	(280,773)	(608,400)	(38,320)	15,943	(911,550)
Loss before income taxes	(280,773)	(692,550)	(12,371)	92,363	(893,331)
Net loss	(280,773)	(699,152)	(16,905)	92,379	(904,451)

	Year ended December 31, 2022				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Total revenues	—	636,320	52,911	(95,597)	593,634
Cost of revenues	—	(324,465)	(137,686)	94,817	(367,334)
Gross profit	—	311,855	(84,775)	(780)	226,300
Operating expenses	(238,074)	(860,969)	(109,776)	8,375	(1,200,444)
Operating loss	(238,074)	(549,114)	(194,551)	7,595	(974,144)
Loss before income taxes	(238,074)	(548,206)	(194,782)	4,821	(976,241)
Net loss	(238,074)	(544,042)	(198,605)	4,822	(975,899)

	Year ended December 31, 2023				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
			(RMB in thousands)		
Total revenues	—	553,910	45,600	(28,486)	571,024
Cost of revenues	—	(346,257)	(49,906)	29,788	(366,375)
Gross profit	—	207,653	(4,306)	1,302	204,649
Operating expenses	(89,953)	(439,508)	(92,566)	(19,167)	(641,194)
Operating loss	(89,953)	(231,855)	(96,872)	(17,865)	(436,545)
Loss before income taxes	(89,953)	(233,465)	(103,841)	14,321	(412,938)
Net loss	(89,953)	(232,856)	(103,885)	14,320	(412,374)

Selected consolidated balance sheets data

	As of December 31, 2021				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
			(RMB in thousands)		
Total current assets	1,512,815	776,119	2,287,193	(1,865,062)	2,711,065
Total non-current assets	850,554	312,531	1,350	(849,261)	315,174
Total assets	2,363,369	1,088,650	2,288,543	(2,714,323)	3,026,239
Total current liabilities	57,033	1,977,013	1,215,603	(2,548,902)	700,747
Total non-current liabilities	—	14,883	2,004	3,334	20,221
Total liabilities	57,033	1,991,896	1,217,607	(2,545,568)	720,968
Total shareholders' deficit attributable to Cloopen Group Holding Limited	2,306,336	(902,181)	1,070,936	(168,755)	2,306,336
Non-controlling interests	—	(1,065)	—	—	(1,065)
Total liabilities and shareholders' equity	2,363,369	1,088,650	2,288,543	(2,714,323)	3,026,239

	As of December 31, 2022				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Total current assets	840,910	562,507	2,919,641	(2,175,169)	2,147,889
Total non-current assets	857,362	526,143	419,966	(1,638,269)	165,202
Total assets	1,698,272	1,088,650	3,339,607	(3,813,438)	2,313,091
Total current liabilities	135,054	2,558,058	(488,308)	(1,460,298)	744,506
Total non-current liabilities	—	6,262	2,381	—	8,643
Total liabilities	135,054	2,564,320	(485,927)	(1,460,298)	753,149
Total shareholders' deficit attributable to Cloopen Group Holding Limited	1,563,218	1,091,926	1,261,214	(2,353,140)	1,563,218
Non-controlling interests	—	(3,276)	—	—	(3,276)
Total liabilities and shareholders' equity	1,698,272	1,088,650	3,339,607	(3,813,438)	2,313,091

	As of December 31, 2023				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Total current assets	145,207	509,400	1,142,659	(163,853)	1,633,413
Total non-current assets	1,108,131	213,207	2,264,779	(3,435,442)	150,675
Total assets	1,253,338	722,607	3,407,438	(3,599,295)	1,784,088
Total current liabilities	52,372	2,728,417	22,400	(2,217,187)	586,002
Total non-current liabilities	—	2,799	249	—	3,048
Total liabilities	52,372	2,731,216	22,649	(2,217,187)	589,050
Total mezzanine equity	—	—	—	—	—
Total shareholders' deficit attributable to Cloopen Group Holding Limited	1,200,966	728,535	653,573	(1,382,108)	1,200,966
Non-controlling interests	—	(5,928)	—	—	(5,928)
Total liabilities, mezzanine equity and shareholders' deficit	1,253,338	722,607	3,407,438	(3,599,295)	1,784,088

Selected consolidated statements of cash flows data

	Year ended December 31, 2021				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Net cash used in operating activities	(13,099)	(174,049)	(644,927)	593,998	(238,077)
Net cash used in investing activities	(1,397,584)	(275,719)	(267,779)	126,520	(1,814,562)
Net cash provided by financing activities	2,685,674	579,690	1,371,923	(2,192,537)	2,444,750

	Year ended December 31, 2022				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Net cash used in operating activities	(290,137)	(574,227)	(215,296)	512,390	(567,270)
Net cash provided by investing activities	(335,194)	26,940	(15,224)	675,106	351,628
Net cash provided by financing activities	(47,474)	437,759	148,688	(591,738)	(52,765)

	Year ended December 31, 2023				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Net cash used in operating activities	(133,979)	(184,395)	(197,828)	—	(516,202)
Net cash used in investing activities	(569,407)	(6,700)	(860,399)	1,787,800	351,294
Net cash provided by financing activities	—	218,926	1,568,874	(1,787,800)	—

Off-Balance Sheet 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.

Commitments

The following table sets forth our contractual obligations as of December 31, 2023.

	Total		Year Ending December 31,	
			2024	2025 and thereafter
	RMB	US$	RMB	RMB
	(in thousands)			
Purchase commitments*	6,559	924	5,703	856

* Relates to purchase of software and equipment. The purchase commitments are contracted but not yet reflected in the consolidated financial statements as of December 31, 2023.

Save as disclosed above, we did not have any significant capital or other commitments, long term obligations or guarantees as of December 31, 2023.

C. Research and Development, Patents and Licenses, etc.

See "Item 4. Information on the Company—B. Business Overview—Research and Development" and "Item 4. Information on the Company—B. Business Overview—Intellectual Property."

D. Trend Information

Other than as disclosed in this annual report, we are not aware of any trend, uncertainty, demand, commitment or event for the year of 2023 that are reasonably likely to have a material adverse effect on our revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial condition.

E. Critical Accounting Estimates

We prepared the consolidated financial statements in accordance with U.S. GAAP. When reviewing our financial statements, you should consider our selection of critical accounting policies, our judgments and other uncertainties affecting our applications of those policies and the sensitivity of reported results to changes of such policies, judgments and uncertainties. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements. You should read the following descriptions of critical accounting policies, judgments and estimates in conjunction with our consolidated financial statements and other disclosures included in this annual report.

Revenue recognition

We account for our revenue contracts in accordance with ASC Topic 606, Revenue from Contracts with Customers (ASC 606). According to ASC 606, revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. We determine revenue recognition through the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

We generate substantially all of our revenues from the following services and products:

1) CPaaS, which allows customers to send text messages and place voice calls using our cloud-based platform;

2) Cloud-based CC, with which customers can operate their virtual contact centers and access related value-added services using our cloud-based platform; and

3) Cloud-based UC&C, where we create customized communications software on customers' private clouds to meet their specific needs and deliver the software licenses to customers.

We recognize revenue upon the transfer of control of promised products or services provided to our customers, in the amount of consideration we expect to receive for those products or services (excluding sales taxes collected on behalf of government authorities). Our revenue contracts generally do not include a right of return in relation to the delivered products or services.

The timing of revenue recognition may differ from the timing of invoicing to our customers. We record a contract asset when revenue is recognized prior to invoicing, and a contract liability when payment is received from a customer in advance of revenue recognition. We generally issue invoices based on contract terms, which may be when the services are completed, upon customer acceptance of our deliverables or at preset milestones. Payments are due with standard payment terms which are generally not more than 90 days from invoice issuance.

CPaaS revenues

We account for revenue from customers' usage of text message and voice call services on our CPaaS platform as two separate performance obligations. Our service fees are determined by applying the contractual unit price to the monthly usage volume of text messages sent or minutes of voice calls placed and a contractual monthly fixed charge per subscriber multiplied by the number of subscribers recorded by our CPaaS platform where relevant. The cloud-based services to send text messages and place voice calls are sold separately to customers with observable standalone selling prices.

We also provide services as an agent in provision of CPaaS platforms to customers. We have identified one performance obligation and recognized the revenues, on a monthly basis, at the amount equal to the difference between the amount charged to the customers and the amount charged by telecommunication operators.

The service contracts are generally with a length between three and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide the customer with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant us or customers a unilateral right to terminate the contracts before completion.

Cloud-based CC revenues

Customers subscribe to our basic cloud-based CC services at a fixed monthly fee and pay for other value-added services on a usage basis. We recognize the monthly service fees ratably over the contract period during which we are obligated to grant customers continuous access to those basic cloud-based CC services. Revenue for other value-added services on top of the basic subscription is determined by applying the contractual unit price to the monthly usage volume and recognized when the related services are provided to customers. The basic subscription is sold to customers at the same price with or without the value-added services, so the transaction price is allocated on the basis of observable stand-alone selling prices.

The service contracts are generally with a length between three and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide customers with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant us or customers a unilateral right to terminate the contracts before completion.

We also offer customized cloud-based CC solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. We have identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized CC license and other highly interdependent and interrelated services, and have accounted for the promise as one combined performance obligation. We apply an iterative process to design, test and implement the software in customers' IT environment and recognizes revenue for this performance obligation over a period of time during which the control of the customized cloud-based CC solution is progressively transferred to the customers. We use an input method to estimate progress, based on the proportion of the labor hours incurred relative to the estimated total labor hours. We also offer standard or non-complex cloud-based CC solutions to customers, and have identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. Our cloud-based CC contracts generally include a standard assurance-type warranty.

Cloud-based UC&C revenues

We offer customized cloud-based UC&C solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. We have identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized UC&C license and other highly interdependent and interrelated services, and have accounted for the promise as one combined performance obligation. We apply an iterative process to design, test and implement the software in customers' IT environment and recognize revenue for this performance obligation over a period of time during which the control of the customized UC&C solution is progressively transferred to the customers. We use an input method to estimate progress, based on the proportion of the labor hours incurred relative to the estimated total labor hours. We also offer standard or non-complex cloud-based UC&C solutions to customers, and have identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. Our cloud-based UC&C contracts generally include a standard assurance-type warranty.

Share-based compensation

Share-based awards granted to the founders and employees in the form of restricted shares are measured at the grant date fair value of the awards, and are recognized as compensation expense using the graded-vesting schedules over the requisite service period for each separately vesting portion (or tranche) of the award. We elect to recognize the effect of forfeitures in compensation cost when they occur. To the extent the required vesting conditions are not met resulting in the forfeiture of the share-based awards, previously recognized compensation expense relating to those awards is reversed.

Share-based compensation in relation to the restricted ordinary shares is measured based on the fair value of our ordinary shares at the award grant date, which is estimated using the income approach and equity allocation method. Estimating the fair value of our ordinary shares involves significant assumptions that might not be observable in the market, and a number of complex and subjective variables, discount rate, risk-free interest rate and subjective judgments regarding our projected financial and operating results, our unique business risks, the liquidity of our ordinary shares and our operating history and prospects at the time of the grant. Share-based compensation in relation to the share options is estimated using the binomial option pricing model. The determination of the fair value of share options is affected by the price of our ordinary shares as well as the assumptions regarding a number of complex and subjective variables, including the expected share price volatility, risk-free interest rate, exercise multiple and expected dividend yield. The fair value of these awards was determined by our management with the assistance from a valuation report prepared by an independent valuation firm using our management's estimates and assumptions.

In January 2017, we adopted the 2016 Plan. Under the 2016 Plan, we granted 5,355,499, nil and nil share options to our directors, officers and employees for 2021, 2022 and 2023, respectively. In January 2021, we adopted the 2021 Plan, under which restricted share units to purchase 10,674,879 Class A ordinary shares have been granted as of the date of this annual report, excluding those repurchased. See "Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plans" for more information in respect of the key terms of the 2016 Plan and the 2021 Plan and the outstanding options granted under such plans as of the date of this annual report. Further, in connection with the acquisition of EliteCRM in March 2021, we issued 2,411,177 Class A ordinary shares in the form of restricted shares as equity awards to certain management members of EliteCRM. In addition, in connection with the acquisition of Zhuge in December 2021, we issued 468,455 Class A ordinary shares in the form of restricted shares as equity awards to certain management members of Zhuge (excluding those repurchased pursuant to performance target adjustments). These restricted shares were issued under a private placement pursuant to an exemption or exclusion from the registration requirements under the Securities Act, subject to certain vesting schedule and forfeiture to the extent any share remains unvested in case of early termination of employment.

The weighted average grant date fair value of the share options granted was US$6.19, nil and nil for 2021, 2022 and 2023, respectively. The fair values of the options granted are estimated on the dates of grant using the binomial option pricing model with the following assumptions used.

	Year Ended December 31, 2021
Risk-free rate of return[1]	0.61%-1.88%
Volatility[2]	48.21%-49.36%
Expected dividend yield[3]	0%
Exercise multiple[4]	2.20
Fair value of underlying ordinary share	US$1.30- US$3.12
Expiration terms[5]	10 years

(1) We estimate risk-free interest rate based on the yield to maturity of U.S. treasury bonds denominated in U.S. dollars for a term consistent with the expected term of our options in effect at the option valuation date.

(2) We estimate expected volatility based on the historical volatility of comparable peer public companies with a time horizon close to the expected term of our options.

(3) Expected dividend yield is zero as we do not anticipate any dividend payments in the foreseeable future.

(4) We estimate the expected exercise multiple as the average ratio of the stock price to the exercise price of when our employees will decide to voluntarily exercise their vested options. As we did not have sufficient information of past employee exercise history, it was estimated by referencing to a widely-accepted academic research publication.

(5) Expiration term is the contract life of the options.

In 2021, 2022 and 2023, we recorded share-based compensation expenses of RMB277.6 million, RMB107.5 million and RMB22.2 million (US$3.1 million) related to our share options, restricted shares, ordinary shares issued to management employees to acquire their equity interests in majority-owned subsidiaries and waiver of subscription receivable due from Mr. Changxun Sun. The following table sets forth the breakdown of our share-based compensation expenses both in absolute amount and as a percentage of total share-based compensation expenses in the years indicated.

	Year Ended December 31,						
	2021		2022		2023		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Cost of revenues	507	0.2	(621)	(0.6)	3.0	0.0	0.0
Research and development expenses	18,564	6.7	(5,953)	(5.5)	1,660.0	234.0	7.5
Selling and marketing expenses	21,150	7.6	510	0.5	3,639.0	513.0	16.4
General and administrative expenses	237,395	85.5	113,526	105.6	16,937.0	2,386.0	76.2
Total	**277,616**	**100.0**	**107,462**	**100.0**	**22,238**	**3,132**	**100.0**

Recent Accounting Pronouncements

For detailed discussion on recent accounting pronouncements, see Note 2(ii) to our consolidated financial statements included elsewhere in this annual report.

Taxation

Cayman Islands

We are incorporated in the Cayman Islands. The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution, brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, our Hong Kong subsidiary is subject to Hong Kong Special Administrative Region profits tax at the rate of 16.5% on its taxable income generated from the operations in Hong Kong. Payments of dividends by the Hong Kong subsidiary to the Company is not subject to withholding tax in Hong Kong. A two-tiered profits tax rates regime was introduced in 2018 where the first HK$2.0 million of assessable profits earned by a company will be taxed at half of the current tax rate at 8.25%, whilst the remaining profits will continue to be taxed at 16.5%. There is an anti-fragmentation measure where each group will have to nominate only one company in the group to benefit from the progressive rates. No provision for Hong Kong profits tax has been made in the financial statements as the subsidiary in Hong Kong has no assessable profits for the years ended December 31, 2021, 2022 and 2023.

Japan

Our Japan subsidiary, Cloopen Japan Co., Ltd., is subject to Japanese corporation tax (including national corporation tax, local enterprise tax and other income-based taxes) on its worldwide income. The statutory effective tax rate is approximately 30% to 34%, depending on the size of the company.

Dividends paid by a Japanese company are generally subject to Japanese withholding tax. If the Japanese company paying dividends is a non-listed company and the payee is a non-resident of Japan, the rate of such withholding tax is 20.42% under Japanese tax law. We enjoy preferential withholding tax rate of 10% under Japan-China tax treaty.

PRC

Our PRC subsidiaries and affiliated entities are subject to the EIT Law and are taxed at the statutory income tax rate of 25%, unless otherwise specified. Certain of the affiliated entities were recognized as HNTEs and were entitled to a preferential enterprise income tax rate of 15%. The HNTE status is subject to annual evaluation and a requirement that relevant entities re-apply for HNTE status every three years.

Our PRC subsidiaries and affiliated entities are subject to value added tax, or VAT. Revenues from providing cloud communication services and communication devices sales are generally subject to VAT at the rate of 6% and 13% since April 1, 2019, or 6% and 16% between May 1, 2018 and April 1, 2019, or 6% and 17% before May 1, 2018, and subsequently paid to PRC tax authorities after netting input VAT on purchases. The excess of output VAT over input VAT is reflected in accrued expenses and other current liabilities, and the excess of input VAT over output VAT is reflected in prepayments and other current assets in the consolidated balance sheets.

The EIT law imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise, or FIE, to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where we are incorporated, does not have such tax treaty with China. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% if the immediate holding company in Hong Kong owns directly at least 25% of the shares of the FIE and could be recognized as a beneficial owner of the dividend from PRC tax perspective. We did not record any dividend withholding tax, as our PRC subsidiaries and affiliated entities have no retained earnings in any of the periods presented.

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose "*de facto* management body" is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law define the location of the "*de facto* management body" as "the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, property, etc., of a non-PRC enterprise is located." Based on a review of surrounding facts and circumstances, we believe that our operations outside the PRC will unlikely be considered a "resident enterprise" for PRC tax purposes. If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the EIT Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or the ADSs holders."

[OMITTED]

A2. ADDITIONAL DISCLOSURES IN THE ANNUAL REPORT OF CLOOPEN FOR THE YEAR ENDED DECEMBER 31, 2023 THAT MEET THE REQUIREMENTS IN PARAGRAPH 32 OF APPENDIX D2 TO THE LISTING RULES

Hedging in relation to foreign currency risks

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited, and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by relevant exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

Employees

As of December 31, 2023, we had a total of 1,214 employees. The following table sets forth the breakdown of our employees as of December 31, 2023 by function.

Function	Number of Employees	% of Total
Research and development	122	10.0
Sales and marketing	329	27.1
Project execution	375	30.9
General administration	388	32.0
Total	1,214	100.0

We believe we offer our employees competitive compensation packages and a dynamic work environment that encourages initiative and is based on merit. As a result, we have generally been able to attract and retain qualified personnel and maintain a stable core management team.

We believe that we maintain a good working relationship with our employees, and we have not experienced any major labor disputes. None of our employees is represented by labor unions.

B1. OPERATING AND FINANCIAL REVIEW AND PROSPECTS OF THE CLOOPEN GROUP FOR THE YEAR ENDED DECEMBER 31, 2024

[OMITTED]

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our results of operations and financial condition together with the consolidated financial statements and related notes included elsewhere in this annual report. This discussion contains forward-looking statements based upon current plans, expectations and beliefs that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the section of this annual report captioned "Item 3. Key Information—D. Risk Factors" and in other parts of this annual report. Our fiscal year ends on December 31.

A. Operating Results

Overview

We are a leading multi-capability cloud-based communications solution provider in China offering a full suite of cloud-based communications solutions, covering CPaaS, cloud-based CC and cloud-based UC&C. We serve a diverse and loyal customer base consisting of enterprises of all sizes across a variety of industries, including internet, telecommunications, financial services, industrial manufacturing and energy.

We generate our revenues primarily from our CPaaS, cloud-based CC and cloud-based UC&C solutions. We generally charge our customers using our CPaaS solutions on a recurring basis, based on the monthly number of text messages and call minutes facilitated. We charge our customers using our cloud-based CC solutions deployed on public cloud on a recurring basis, with a combination of seat subscription fees and related resource usage fees. We generally charge our customers using our cloud-based CC solution deployed on private cloud and cloud-based UC&C solutions on a project basis. We plan to promote solutions that we offer on a recurring basis to lower customer acquisition costs, which we expect would favorably contribute to our profit margins.

As of December 31, 2022, 2023 and 2024, we had an active customer base of 9,980, 8,703 and 7,529 enterprises, respectively, among which 118, 121 and 114 were large-enterprise customers, respectively. In 2022, 2023 and 2024, the dollar-based net customer retention rate in relation to solutions we offer on a recurring basis was 61.7%, 85.8% and 74.6% respectively, and the dollar-based net customer retention rate for active customers was 64.5%, 89.0% and 77.4% respectively. We served 229, 279 and 337 customers for our project-based solutions in 2022, 2023 and 2024, respectively. Our revenues decreased by 3.8% from RMB593.6 million in 2022 to RMB571.0 million in 2023, and increased by 0.4% to RMB573.6 million (US$78.6 million) in 2024, of which 64.0%, 65.6% and 59.2% were recurring revenues in the same years, respectively. In 2022, 2023 and 2024, we incurred net loss of RMB975.9 million, RMB412.4 million and RMB146.8 million (US$20.1 million), respectively, and our adjusted EBITDA was RMB563.4 million, RMB405.5 million, and RMB225.4 million (US$30.9 million), respectively. See "—Non-GAAP Financial Measures" for information on how we define and calculate the non-GAAP financial measures as well as a reconciliation of non-GAAP adjusted EBITDA to net loss.

Factors Affecting Our Results of Operations

Our business and results of operations are affected by China's overall economic conditions and structural transformations, especially the development of telecommunications industry and cloud-based communications industry, as well as the following industry- and company-specific factors.

Capturing market opportunity

Our ability to capture market opportunity is critical to our growth prospects. Compared to more developed regions such as the North America and Western Europe, enterprises in China are still in the early stages of adopting cloud-based technologies, which presents significant growth opportunity. The maturity level of China's network and related infrastructure for cloud computing also provides a solid foundation for rapid adoption of cloud technologies in China.

In addition, China's communications industry is highly fragmented, consisting primarily of many local players. The software-based nature and scalability of cloud-based communications solutions are well-suited to allow easy deployment across different geographical locations and industries. We focus on applying cloud-based technologies to enterprise communications, leveraging our established partnerships with multiple regional mobile network operators. Equipped with such established business relationships as well as our solutions and proprietary technologies in AI and video communications, we believe we are well-positioned to capture the significant market opportunity to consolidate China's cloud-based communications industry. Meanwhile, in order to achieve a larger market share, we will need to devote more managerial attention and financial and other resources to address the potential challenges faced by a rapidly growing business in an evolving industry.

Improving customer acquisition, retention and lifetime value

Our results of operations are highly dependent on the total number and the lifetime value of our customers. We have cultivated a large and diverse customer base of enterprises of all sizes and various industries, including internet, telecommunications, financial services, industrial manufacturing and energy. As of December 31, 2022, 2023 and 2024, we had an active customer base of 9,980, 8,703 and 7,529 enterprises, respectively, among which 118, 121 and 114 were large-enterprise customers, respectively. To retain and grow our customer base, we need to predict future market acceptance and customer demand and continue to invest in sales and marketing to penetrate into more industry verticals and second- and lower-tier cities and further promote our brand image and recognition in China's cloud-based communications industry. We also plan to expand our cross-selling and up-selling efforts to existing customers.

Introducing new features and solutions

To capitalize on the opportunities from the fast-evolving communications needs of China's enterprises of all sizes, we believe it is critical to continuously develop and introduce new features and solutions that optimize communication efficiency and efficacy and enhance operational productivity. We believe our capabilities of developing and offering a comprehensive portfolio of industry-specific solutions that satisfy disparate needs and complex internal integration and deployment requirements contribute to the success of our business operations. We must continue to invest in research and development with a focus on AI and video technologies and incorporate these technologies to develop more innovative features and solutions. We will also need to enhance the interaction of product development and sales activities and actively seek and analyze customer feedback in order to design new features and solutions catering to customer demands.

Optimizing product offering mix

Our ability to manage our product offering mix affects our results of operations, especially our overall profit margin. For example, our cloud-based CC and cloud-based UC&C solutions typically carry higher gross profit margins, as these solutions are more technologically advanced and, therefore, give us greater pricing power. To improve our overall profit margin and achieve higher financial scalability, we will need to continue to shift our focus toward offering solutions with higher profit margins. We also plan to selectively promote solutions that we offer on a recurring basis to lower customer acquisition costs, which we expect would favorably contribute to our profit margins. In addition, we need to serve more customers in targeted industries to lower the incremental industry customization costs and to achieve greater economies of scale and higher profit margins from the industries we more broadly serve.

Controlling costs and expenses

One of the largest costs we incur during our business operations, particularly for our CPaaS solutions and cloud-based CC solutions that we offer on a recurring basis, is service fees paid for telecommunications resources. In 2022, 2023 and 2024, costs paid for telecommunications resources represented 51.6%, 55.0% and 52.0% of our total cost of revenues, respectively. Mobile network operators in China typically adjust the unit prices for resources, such as text messages and voice calls, once every several years based on government recommendations. A sudden adjustment by major mobile network operators would likely negatively affect our results of operations in current contract periods because we may not be able to pass on the impact to our customers as a result of fixed unit resource price throughout the current contract periods. On the other hand, we are generally able to pass on the impact from such unit price adjustment to customers relatively quickly due to our relatively short contract periods, which enable us to adjust our resource usage fees from time to time. Additionally, we may also benefit from the increase in the unit resource price in the long term because such price increase could eliminate weaker market players and strengthen our market leadership position.

In addition, staff costs and expenses incurred to attract and retain a team of talented staff is a major component of our overall costs and expenses. While we strive to optimize our compensation and incentive structure, we remain mindful that investment in human resources plays a significant role in maintaining our competitive position. As a significant portion of our overall costs and expenses, our ability to control our staff costs and expenses without compromising our competitiveness is critical to our results of operations.

Managing development cycle

Our ability to manage the overall development cycle of our project-based solutions affects our revenues and profit margin in specific periods. We generally incur a significant amount of upfront investment and costs in developing new solutions and serving customers in new industries to meet their complex communications needs, implementation requirements and industry-specific customizations. We have also historically undertaken smaller projects with lower profit margins to enter into the markets for project-based solutions, such as for our cloud-based UC&C solutions. These initial development costs and investments may increase our costs and expenses and decrease our overall profit margins in certain periods. We are generally able to replicate our initial solution development and achieve economies of scale quickly after we deliver our industry-specific projects to more customers within the same industry or build upon our existing projects to develop similar solutions for more customers from other industries. As we continue to standardize our industry-specific solutions for more customers in diverse industries, we expect to manage the upfront investment at reasonable level and optimize our development cycle.

Strategic investment and acquisitions

We have made, and intend to continue to make, strategic acquisitions to solidify our current market presence and expand into new industries. For example, in March 2021, we acquired all the equity interests of EliteCRM, a leading customer relationship management software provider, and in December 2021, we acquired all the equity interests of Zhuge, a user-centric intelligent data solution provider. We intend to selectively pursue strategic alliances and investments to further strengthen our competitiveness. We expect to evaluate and execute alliance, investment and acquisition opportunities that complement and scale up our business, optimize our profitability, help us expand into adjacent industries and add new capabilities to our cloud-based solutions. Our strategic alliances, investments and acquisitions would likely impact our business, results of operations and financial condition.

Seasonality

Our business is subject to seasonal fluctuations. We believe that our quarterly sales are affected by industry buying patterns. Our customers, especially large enterprises, tend to enter into contracts with us in the second half of each year in accordance with their budget cycles. As such, we generally record higher revenues during such periods. In addition, we typically generate lower revenues in the first quarter during or around Chinese New Year holiday. Changes in seasonal trends may cause fluctuations in our results of operations and financial condition.

Key Operating Metrics

	As of/For the Year Ended December 31,		
	2022	2023	2024
Number of active customers	9,980	8,703	7,529
Number of large-enterprise customers	118	121	114
Percentage of revenue contribution by large-enterprise customers	65.0%	67.0%	68.7%
Dollar-based net customer retention rate	61.7%	85.8%	74.6%

* The operating metrics of EliteCRM and Zhuge are included in the operating metrics as of/for the year ended December 31, 2022, 2023, and 2024, except that the dollar-based net customer retention rate does not include the operating results of Zhuge in 2022 due to the lack of data for calculation in 2021 because Zhuge was acquired in December 2021.

Our dollar-based net customer retention rate increased from 61.7% in 2022 to 85.8% in 2023, primarily due to an increase in the business demand for text messaging services from our financial institution customers. Our dollar-based net customer retention rate decreased to 74.6% in 2024, primarily because of the decline in the PaaS business retention rate, resulting from the replacement of certain SMS channel clients for consideration of pricing. In 2022, 2023 and 2024, our dollar-based net customer retention rate for active customers was 64.5%, 89.0% and 77.4% respectively.

We expect that, as the applicable regulatory framework becomes more established and China's economy recovers from the COVID-19 pandemic, and as we continuously optimize our existing solutions and develop new features and solutions, our dollar-based net customer retention rate will remain stable at a relatively high level.

Non-GAAP Financial Measures

To supplement our consolidated financial statements which are presented in accordance with U.S. GAAP, we also use non-GAAP net loss and adjusted EBITDA as additional non-GAAP financial measures. We present the non-GAAP financial measures because they are used by our management to evaluate our operating performance. We also believe that the non-GAAP financial measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

We define non-GAAP net loss as net loss excluding share-based compensation, (gains)/losses from disposal of subsidiaries, net, gains from disposal of long-term investments, impairment loss of long-term investments, impairment loss of intangible assets, impairment loss of goodwill, provision for U.S class action, and other operating (income)/expenses. We define adjusted EBITDA as net loss excluding depreciation and amortization, interest expenses, net, income tax benefit, share-based compensation, investment income, impairment loss of long-term investments, impairment loss of intangible assets, impairment loss of goodwill, provision for U.S class action, other operating (income)/expenses, (gains)/losses from disposal of subsidiaries, net, gains from disposal of long-term investments, share of (gains)/losses of equity method investments, and foreign currency exchange (gains)/losses, net. We believe that non-GAAP financial measures provide useful information to investors and others in understanding and evaluating our operating results. The non-GAAP financial measures adjust for the impact of items that we do not consider indicative of the operational performance of our business and should not be considered in isolation or construed as an alternative to net loss or any other measure of performance or as an indicator of our operating performance. Investors are encouraged to compare the historical non-GAAP financial measures with the most directly comparable GAAP measures. The non-GAAP financial measures presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

The following table sets forth a reconciliation of our non-GAAP financial measures to net loss for the years indicated.

	Year Ended December 31,			
	2022	2023	2024	
	RMB	RMB	RMB	US$
		(in thousands)		
Net loss	**(975,899)**	**(412,374)**	**(146,827)**	**(20,115)**
Add:				
Share-based compensation	107,462	22,239	14,305	1,960
(Gains)/losses from disposal of subsidiaries, net	2,739	—	(403)	(55)
Gains from disposal of long-term investments	(5,138)	—	—	—
Impairment loss of long-term investments	7,400	8,011	—	—
Impairment loss of intangible assets	28,011	—	—	—
Impairment loss of goodwill	107,407	—	—	—
Provision for U.S class action	83,575	—	—	—
Other operating (income)/expenses	70,417	—	(49,530)	(6,786)
Non-GAAP net loss	**(574,026)**	**(382,124)**	**(182,455)**	**(24,996)**
Net loss	**(975,899)**	**(412,374)**	**(146,827)**	**(20,115)**
Add:				
Depreciation and amortization	13,893	8,775	7,634	1,046
Interest expenses, net	(14,199)	(26,826)	(42,151)	(5,775)
Income tax benefit	(342)	(564)	(316)	(43)
EBITDA:	**(976,547)**	**(430,989)**	**(181,660)**	**(24,887)**
Adjust:				
Share-based compensation	107,462	22,239	14,305	1,960
Investment income	(340)	(563)	(11,859)	(1,625)
Impairment loss of long-term investments	7,400	8,011	—	—
Impairment loss of intangible assets	28,011	—	—	—
Impairment loss of goodwill	107,407	—	—	—
Provision for U.S class action	83,575	—	—	—
Other operating (income)/expenses	70,417	—	(49,530)	(6,786)
(Gains)/losses from disposal of subsidiaries, net	2,739	—	(403)	(55)
Gains from disposal of long-term investments	(5,138)	—	—	—
Share of (gains)/losses of equity method investments	1,969	1,470	(3)	—
Foreign currency exchange (gains)/losses, net	9,666	(5,699)	3,717	509
Adjusted EBITDA	**(563,379)**	**(405,431)**	**(225,433)**	**(30,884)**

Key Components of Our Results of Operations

Revenues

We generate revenue primarily from the sales of our CPaaS, cloud-based CC and cloud-based UC&C solutions. In 2022, 2023 and 2024, our revenues were RMB593.6 million, RMB571.0 million and RMB573.6 million (US$78.6 million), respectively. The following table sets forth the breakdown of our total revenues both in absolute amount and as a percentage of total revenues in the years indicated.

	Year Ended December 31,						
	2022		2023		2024		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
CPaaS							
Text messaging	119,416	20.1	136,654	23.9	132,242	18,117	23.1
Voice calls	25,953	4.4	25,958	4.5	35,706	4,892	6.2
Jointly-operated CPaaS	27,591	4.6	15,439	2.7	—	—	0.0
IoT	13,268	2.2	13,937	2.4	21,440	2,937	3.7
Others	5,936	1.0	3,423	0.6	18	3	0.0
Subtotal	**192,164**	**32.4**	**195,411**	**34.2**	**189,406**	**25,949**	**33.0**
Cloud-based CC							
Recurring[(1)]	187,693	31.6	179,042	31.4	150,165	20,573	26.2
Project	123,072	20.7	77,919	13.6	117,916	16,154	20.6
Subtotal	**310,765**	**52.3**	**256,961**	**45.0**	**268,081**	**36,727**	**46.8**
Cloud-based UC&C	**89,350**	**15.1**	**117,554**	**20.6**	**116,079**	**15,902**	**20.2**
Other services	**1,355**	**0.2**	**1,098**	**0.2**	**—**	**—**	**0.0**
Total revenues	**593,634**	**100.0**	**571,024**	**100.0**	**573,566**	**78,578**	**100.0**

(1) Includes cloud-based CC solutions deployed primarily on public cloud, for which we charge a combination of seat subscription fees and related resource usage fees.

Our revenues from CPaaS solutions primarily include usage-based fees for sending text messages and making voice calls. We generally charge our customers on a recurring basis, based on the monthly number of text messages and call minutes facilitated through our CPaaS solutions. We also assist and support mobile network operators in establishing and operating communications service platforms, and recognize revenues pursuant to the revenue sharing arrangements.

Our revenues from cloud-based CC solutions primarily consist of seat subscription fees and related resource usage fees, and to a lesser extent, software license fees and related service fees. We charge customers using our cloud-based CC solutions deployed on public cloud a combination of seat subscription fees and related resource usage fees that are determined according to the capacity and number of functional modules embedded as well as the number of texts and call minutes facilitated through our solutions. In 2022, 2023 and 2024, solutions that we offer on a recurring basis generated 60.4%, 69.7% and 56.0% of our revenues from cloud-based CC solutions, respectively. We generally charge customers using our solutions deployed on private cloud software license fees and related customized service fees that are negotiated on a project basis and recognize revenues in accordance with the agreed-upon project milestones. The delivery cycle of our project-based cloud-based CC solutions typically ranges from three to 12 months.

Our revenues from cloud-based UC&C solutions primarily consist of software license fees and related services fees from individual projects, and to a lesser extent, service fees relating to maintenance and upgrade services. We negotiate these fees with customers on a project basis and charge them in accordance with the agreed-upon project milestones. The delivery cycle of our project-based cloud-based UC&C solutions typically ranges from three to 12 months. Additionally, we also generate revenues from software development and other technical support service fees charged on a project basis.

Our revenues from other services primarily consist of revenues generated from mobile network operator services and cloud-based value-added services.

Cost of revenues

Our cost of revenues primarily consists of (1) costs paid for telecommunications resources, (2) outsourcing costs, (3) infrastructure and equipment costs, and (4) staff costs related to solution delivery]. In 2022, 2023 and 2024, our cost of revenues was RMB367.3 million, RMB366.4 million and RMB362.7 million (US$49.7 million), respectively. The following table sets forth the breakdown of our cost of revenues by nature both in absolute amount and as a percentage of total cost of revenues in the years indicated.

	Year Ended December 31,						
	2022		2023		2024		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Costs of telecommunications resources	189,376	51.6	201,683	55.0	188,470	25,820	52.0
Outsourcing costs	99,608	27.1	49,264	13.5	67,794	9,288	18.7
Infrastructure and equipment costs	41,656	11.3	40,011	10.9	33,909	4,646	9.3
Staff costs	33,266	9.1	68,459	18.7	71,388	9,780	19.7
Rentals and others	3,428	0.9	6,958	1.9	1,156	158	0.3
Total cost of revenues	**367,334**	**100.0**	**366,375**	**100.0**	**362,717**	**49,692**	**100.0**

Costs of telecommunications resources represent fees we pay to mobile network operators based on the number of texts and minutes of voice calls we subscribed for. We typically enter into annual contracts with mobile network operators which set forth the unit price for each text message and every minute of voice call. In 2022, 2023 and 2024, costs of telecommunications resources represented the largest portion of our cost of revenues, representing 51.6%, 55.0% and 52.0% of our total cost of revenues, respectively. We also outsource certain parts of the solution delivery and incur outsourcing costs. Infrastructure and equipment costs relate to our use of servers and our purchase of hardware and equipment to support our solutions. Staff costs represent compensation paid to employees who primarily deliver solution customization and perform other services to customers. Rentals and others primarily consist of rental costs related to our leases.

The following table sets forth the breakdown of our cost of revenues by service type both in absolute amount and as a percentage of total cost of revenues in the years indicated.

	Year Ended December 31,						
	2022		2023		2024		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
CPaaS							
Text messaging	111,999	30.5	128,564	35.1	121,444	16,597	33.4
Voice calls	24,133	6.6	24,026	6.6	32,827	4,497	9.1
Jointly-operated CPaaS	281	0.1	262	0.1	—	—	—
IoT	—	—	—	—	13,536	1,854	4
Others	2,968	0.8	2,754	0.8	—	—	0.0
Subtotal	**139,381**	**37.9**	**155,606**	**42.6**	**167,507**	**22,948**	**46.2**
Cloud-based CC							
Recurring(1)	95,260	25.9	86,109	23.5	65,422	8,963	18.0
Project	70,851	19.3	42,997	11.7	62,265	8,530	17.2
Subtotal	**166,111**	**45.2**	**129,106**	**35.2**	**127,687**	**17,493**	**35.2**
Cloud-based UC&C	**60,936**	**16.6**	**80,722**	**22.0**	**67,523**	**9,251**	**18.6**
Other services	**906**	**0.2**	**941**	**0.3**	**—**	**—**	**0.0**
Total cost of revenues	**367,334**	**100.0**	**366,375**	**100.1**	**362,717**	**49,692**	**100.0**

(1) Includes cloud-based CC solutions deployed primarily on public cloud, for which we charge a combination of seat subscription fees and related resource usage fees.

Gross profit

Our gross profit was RMB226.3 million, RMB204.6 million and RMB210.8 million (US$28.9 million) in 2022, 2023 and 2024, respectively. Our overall gross profit margin was 38.1%, 35.8% and 36.8% respectively. The following table sets forth a breakdown of our gross profit and gross profit margin.

	Year Ended December 31,						
	2022		2023		2024		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
CPaaS	52,783	27.5	39,805	20.4	21,899	3,001	11.6
Cloud-based CC[(1)]	144,654	46.5	127,855	49.8	140,394	19,234	52.4
Cloud-based UC&C	28,414	31.8	36,832	31.3	48,556	6,651	41.8
Other services	449	33.1	157	14.3	—	—	0.0
Total	**226,300**	**38.1**	**204,649**	**35.8**	**210,849**	**28,886**	**36.8**

(1) The gross profit margin for cloud-based CC solutions that we offer on a recurring basis was 49.2%, 51.9% and 56.4% in 2022, 2023 and 2024, respectively.

The gross profit margin of our CPaaS solutions and cloud-based CC solutions that we offer on a recurring basis is primarily affected by the costs of telecommunications resources we paid to mobile network operators, which represented a majority of the costs for these solutions] in 2022, 2023 and 2024. See "—Factors Affecting our Results of Operations—Controlling costs and expenses" for details of the impacts.

The gross profit margin of our cloud-based CC solutions on a project basis and cloud-based UC&C solutions is affected primarily by the maturity and complexity of a specific project. See "—Factors Affecting our Results of Operations—Managing development cycle" for details of the impacts.

Operating expenses

The following table sets forth our operating expenses, both in absolute amount and as a percentage of our total operating expenses, for the years indicated.

	Year Ended December 31,						
	2022		2023		2024		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Research and development expenses	326,513	35.8	222,538	34.7	177,000	24,249	38.6
Selling and marketing expenses	265,304	29.1	227,543	35.5	187,305	25,661	40.9
General and administrative expenses	319,217	35.1	191,113	29.9	93,916	12,866	20.5
Total	**911,034**	**100.0**	**641,194**	**100.0**	**458,221**	**62,776**	**100.0**

Research and development expenses

Our research and development expenses were RMB326.5 million, RMB222.5 million and RMB177.0 million (US$24.2 million) in 2022, 2023 and 2024, respectively, primarily representing (1) compensation paid to our research and development staff and (2) technology service expenses paid to outsourcing service providers for the development of certain non-core features and functions in cloud-based UC&C solutions.

Selling and marketing expenses

Our selling and marketing expenses were RMB265.3 million, RMB227.5 million and RMB187.3 million (US$25.7 million) in 2022, 2023 and 2024, respectively, primarily representing (1) compensation paid to our sales and marketing staff, (2) our spending on online advertisement and other online promotional events to reach more customers, and (3) participation and organization of offline events to boost our brand image.

General and administrative expenses

Our general and administrative expenses were RMB319.2 million, RMB191.1 million and RMB93.9 million (US$12.9 million) in 2022, 2023 and 2024, respectively, primarily representing (1) compensation paid to our administrative staff and management team, including share-based compensation expenses, (2) professional services fees, rentals and certain administrative expenses, and (3) provision for doubtful accounts.

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the years indicated, both in absolute amount and as a percentage of our revenues. You should read this information together with our consolidated financial statements and related notes included elsewhere in this annual report. The results of operations in any period are not necessarily indicative of the results that may be expected for any future periods.

	Year Ended December 31,						
	2022		2023		2024		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Revenues	593,634	100.0	571,024	100.0	573,566	78,578	100.0
Cost of revenues	(367,334)	(61.9)	(366,375)	(64.2)	(362,717)	(49,692)	(63.2)
Gross profit	**226,300**	**38.1**	**204,649**	**35.8**	**210,849**	**28,886**	**36.8**
Operating expenses:							
Selling and marketing expenses	(265,304)	(44.7)	(227,543)	(39.8)	(187,305)	(25,661)	(32.7)
General and administrative expenses	(319,217)	(53.8)	(191,113)	(33.5)	(93,916)	(12,866)	(16.4)
Impairment loss of goodwill	(107,407)	(18.1)	—	—	—	—	—
Impairment loss of intangible assets	(28,011)	(4.7)	—	—	—	—	—
Provision for U.S Class Action	(83,575)	(14.1)	—	—	—	—	—
Other operating income (expenses)	(70,417)	(11.9)	—	—	49,530	6,786	8.6
Research and development expenses	(326,513)	(55.0)	(222,538)	(39.0)	(177,000)	(24,249)	(30.9)
Total operating expenses	**(1,200,444)**	**(202.2)**	**(641,194)**	**(112.3)**	**(408,691)**	**(55,990)**	**(71.3)**
Operating loss	**(974,144)**	**(164.1)**	**(436,545)**	**(76.4)**	**(197,842)**	**(27,104)**	**(34.5)**
Interest expenses	(428)	(0.1)	—	—	—	—	—
Interest income	14,627	2.5	26,826	4.7	42,151	5,775	7.3
Investment income	340	—	563	0	11,859	1,625	2
Share of gains (losses) of equity method investments	(1,969)	(0)	(1,470)	(0.3)	3	—	—
Gains from disposal of other equity investments	5,138	—	—	—	—	—	—
Impairment loss of long-term investments	(7,400)	(1)	(8,011)	(1.4)	—	—	—
Gains (losses) from disposal of subsidiaries, net	(2,739)	(0.5)	—	—	403	55	0.1
Foreign currency exchange gains (losses), net	(9,666)	(1.6)	5,699	1.0)	(3,717)	(509)	(0.6)
Loss before income taxes	**(976,241)**	**(164.4)**	**(412,938)**	**(72.3)**	**(147,143)**	**(20,158)**	**(25.7)**
Income tax benefit	342	0.1	564	0.1	316	43	0.1
Net loss	**(975,899)**	**(164.4)**	**(412,374)**	**(72.2)**	**(146,827)**	**(20,115)**	**(25.6)**

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenues

Our revenues increased by 0.4% from RMB571.0 million in 2023 to RMB573.6 million (US$78.6 million) in 2024, primarily due to the following.

- Revenues from our CPaaS solutions decreased by 3.1% from RMB195.4 million in 2023 to RMB 189.4 million (US$25.9 million) in 2024, primarily due to a 37.6% increase in revenues generated from our voice calls services from RMB26.0 million in 2023 to RMB35.7 million (US$4.9 million) in 2024, which was primarily due to business recovery from the impact of COVID-19 pandemic, partially offset by a significant decrease in revenues generated from our jointly-operated CPaaS services from RMB15.4 million in 2023 to nil in 2024 because we terminated the cooperation with respect to one of the communications service platforms jointly operated with mobile network operators in 2023.

- Revenues from our cloud-based CC solutions increased by 4.3% from RMB257.0 million in 2023 to RMB268.1 million (US$36.7 million) in 2024. Our recurring revenues decreased by 16.1% from RMB179.0 million in 2023 to RMB150.2 million (US$20.6 million) in 2024, primarily due to the decreased demands from our customers. Our project-based revenues increased by 51.3% from RMB77.9 million in 2023 to RMB117.9 million (US$16.2 million) in 2024, primarily due to an increase in the number of projects as a result of our business expansion.

- Revenues from our cloud-based UC&C solutions decreased by 1.3% from RMB117.6 million in 2023 to RMB116.1 million (US$15.9 million) in 2024, primarily due to the decreased demands from our customers.

Cost of revenues

Our cost of revenues decreased by 1.0% from RMB366.4 million in 2023 to RMB362.7 million (US$49.7 million) in 2024, primarily due to the following.

- Cost of revenues from our CPaaS solutions increased by 7.6% from RMB155.6 million in 2023 to RMB167.5 million (US$22.9 million) in 2024, primarily due to the increase of RMB 13.5 million (US$1.9 million) in costs related to IOT, as the Company start selling IOT devices in 2024, while there was only IOT services in 2023.

- Cost of revenues from our cloud-based CC solutions decreased by 1.1% from RMB129.1 million in 2023 to RMB127.7 million (US$17.5 million) in 2024, primarily due to (1) a 44.8% increase in cost of revenues from our project-based cloud-based CC solutions from RMB43.0 million in 2023 to RMB62.3 million (US$8.5 million) in 2024 mainly due to the increased business scale and the increased outsourcing costs for certain projects that we undertook, and (2) a 24.0% decrease in cost of revenues from our subscription-based cloud-based CC solutions from RMB86.1 million in 2023 to RMB65.4 million (US$9.0 million) in 2024 mainly due to the decreased business scale and the decrease in the number of minutes of voice calls that we facilitated through our solutions.

- Cost of revenues from our cloud-based UC&C solutions decreased by 16.4% from RMB80.7 million in 2023 to RMB67.5 million (US$9.3 million) in 2024, primarily due to the decreased business scale.

Gross profit

As a result of the foregoing, our gross profit increased by 3.0% from RMB204.6 million in 2023 to RMB210.8 million (US$28.9 million) in 2024. Our gross profit margin increased from 35.8% in 2023 to 36.8% in 2024, primarily due to primarily due to a greater portion of revenues generated from our cloud-based CC solutions, which typically have higher profit margins as compared to CPaaS solutions.

Operating expenses

- Research and development expenses. Our research and development expenses decreased by 20.5% from RMB222.5 million in 2023 to RMB177.0 million (US$24.2 million) in 2024, primarily due to (1) a 24.5% decrease in the R&D staff expenses of RMB43.7 million (US$6.0 million), mainly due to decreases in the headcount of and the compensation level for our R&D personnel, and (2) a 32.0% decrease in lease expenses of RMB2.7 million (US$0.4 million), which was in line with the reduced R&D headcount.

- Selling and marketing expenses. Our selling and marketing expenses decreased by 17.7% from RMB227.5 million in 2023 to RMB187.3 million (US$25.7 million) in 2024, primarily due to (1) a 26.2% decrease in staff expenses of RMB41.5 million (US$5.7 million), mainly due to decreases in the headcount of and the compensation level for our sales and marketing personnel, and (2) a 8.7% decrease in spending on advertising campaigns and marketing activities of RMB3.7 million (US$0.5 million), mainly due to our expenses control measures..

- General and administrative expenses. Our general and administrative expenses decreased by 50.9% from RMB191.1 million in 2023 to RMB93.9 million (US$12.9 million) in 2024, primarily due to (1) a 61.4% decrease in the service fees paid to third parties of RMB43.1 million (US$5.9 million), mainly due to the settlement of the Class Action in 2023, (2) a 16.9% decrease in staff expenses of RMB10.9 million (US$1.5 million), mainly due to decreases in the headcount of and the compensation level for our management and administrative personnel, (3) a 79.4% decrease in share-based compensation expenses of RMB13.5 million (US$1.8 million), mainly due to a decrease in amortized expenses as the options vested, and (4) a significant decrease in allowance for doubtful accounts of RMB20.3 million (US$2.8 million).

- Other operating income (expenses). We recorded other operating income of RMB49.5 million (US$6.8 million) in 2024, as compared to nil in 2023, primarily because we ceased the cooperation with some customers and the advances from the customers will not refund in the future according to the suspension agreements.

Operating loss

As a result of the foregoing, our operating loss decreased from RMB436.5 million in 2023 to RMB197.8million (US$27.1 million) in 2024.

Other income and expenses

- Interest income. Our interest income increased by 57.1% from RMB26.8 million in 2023 to RMB 42.2 million (US$5.8 million) in 2024, primarily due to an increase in average deposit interest rate and cash and cash equivalent balance denominated in USD.

- Investment income. We recorded investment income of RMB11.9 million (US$1.6 million) in 2024, as compared to RMB0.6 million in 2023, primarily relating to the increased realized gain related to short-term investments.

- Share of gains (losses) of equity method investments. We recorded share of losses of equity method investments of RMB1.5 million in 2023, and share of gains of equity method investments of RMB3,000 (US$411) in 2024, primarily due to the gains (losses) incurred by an equity investee that we invested in.
- Impairment loss of long-term investments. We incurred impairment loss of long-term investments of nil in 2024, as compared to RMB8.0 million in 2023, primarily due to a non-temporary impairment of the long-term investments in 2023.
- Losses from disposal of subsidiaries, net. We recorded loss from disposal of subsidiaries of RMB0.4 million (US$60,000) in 2024, as compared to nil in 2023, primarily due to we had no disposal in 2023.
- Foreign currency exchange gains (losses), net. We recorded foreign currency exchange losses of RMB3.7 million (US$0.5 million) in 2024, as compared to foreign currency exchange gains of RMB5.7 million in 2023, primarily due to fluctuations in exchange rate between U.S. dollars and Renminbi.

Income tax benefit

We incurred income tax benefit of RMB0.6 million and RMB0.3 million (US$43,000) in 2023 and 2024, respectively.

Net loss

As a result of the foregoing, our net loss decreased by 64.4% from RMB412.4 million in 2023 to RMB146.8 million (US$20.1 million) in 2024.

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

Revenues

Our revenues decreased by 3.8% from RMB593.6 million in 2022 to RMB571.0 million in 2023, primarily due to the following.

- Revenues from our CPaaS solutions remained relatively stable at RMB192.2 million and RMB195.4 million in 2022 and 2023, respectively, primarily due to a 14.4% increase in revenues generated from our text messaging services from RMB119.4 million in 2022 to RMB136.7 million in 2023, which was primarily due to business recovery from the impact of COVID-19 pandemic, partially offset by a 44.0% decrease in revenues generated from our jointly-operated CPaaS services from RMB27.6 million in 2022 to RMB15.4 million in 2023 because we terminated the cooperation with respect to one of the communications service platforms jointly operated with mobile network operators.

- Revenues from our cloud-based CC solutions decreased by 17.3% from RMB310.8 million in 2022 to RMB257.0 million in 2023. Our recurring revenues decreased by 4.6% from RMB187.7 million in 2022 to RMB179.0 million in 2023, primarily due to the decreased demands from our customers. Our project-based revenues decreased by 36.7% from RMB123.1 million in 2022 to RMB77.9 million in 2023, primarily due to the decreased average project value in 2023.

- Revenues from our cloud-based UC&C solutions increased by 31.6% from RMB89.4 million in 2022 to RMB117.6 million in 2023, primarily due to projects delayed during the COVID-19 pandemic in 2022 being delivered and revenues being recognized in 2023.

Cost of revenues

Our cost of revenues remained relatively stable at RMB367.3 million in 2022 and RMB366.4 million (US$51.6 million) in 2023, primarily due to the following.

- Cost of revenues from our CPaaS solutions increased by 11.6% from RMB139.4million in 2022 to RMB155.6 million in 2023, primarily due to a 14.8% increase in costs related to text messaging from RMB112.0 million in 2022 to RMB128.6 million in 2023, generally in line with the increased revenues from our text messaging services. Our costs related to text messaging are affected by the number of texts sent by our customers and the unit price charged by the major mobile network operators in China.

- Cost of revenues from our cloud-based CC solutions decreased by 22.3% from RMB166.1 million in 2022 to RMB129.1 million in 2023, primarily due to (1) a 39.3% decrease in cost of revenues from our project-based cloud-based CC solutions from RMB70.9 million in 2022 to RMB43.0 million in 2023 mainly due to the decreased business scale and the decreased outsourcing costs for certain projects that we undertook, and (2) a 9.6% decrease in cost of revenues from our subscription-based cloud-based CC solutions from RMB95.3 million in 2022 to RMB86.1 million in 2023 mainly due to the decreased business scale and the decrease in the number of minutes of voice calls that we facilitated through our solutions.

- Cost of revenues from our cloud-based UC&C solutions increased by 32.5% from RMB60.9 million in 2022 to RMB80.7 million in 2023, primarily due to the increased business scale.

Gross profit

As a result of the foregoing, our gross profit decreased by 9.6% from RMB226.3 million in 2022 to RMB204.6 million in 2023. Our gross profit margin decreased from 38.1% in 2022 to 35.8% in 2023, primarily due to a lower proportion of revenues generated from our cloud-based CC solutions, which typically have higher profit margins as compared to CPaaS solutions.

Operating expenses

- Research and development expenses. Our research and development expenses decreased by 31.8% from RMB326.5 million in 2022 to RMB222.5 million in 2023, primarily due to (1) a 35.4% decrease in the R&D staff expenses of RMB97.9 million, mainly due to decreases in the headcount of and the compensation level for our R&D personnel, (2) a 24.4% decrease in the technology service expenses of RMB6.8 million as our solutions grew mature, and (3) a 39.3% decrease in lease expenses of RMB5.5 million, which was in line with the reduced R&D headcount, partially offset by an increase in the share-based compensation expenses from negative RMB6.0 million in 2022 to RMB1.7 million in 2023, mainly due to the departure of certain R&D staff in 2022.

- Selling and marketing expenses. Our selling and marketing expenses decreased by 14.2% from RMB265.3 million in 2022 to RMB227.5 in 2023, primarily due to (1) a 14.8% decrease in staff expenses of RMB27.5 million, mainly due to decreases in the headcount of and the compensation level for our sales and marketing personnel, and (2) a 18.6% decrease in spending on advertising campaigns and marketing activities of RMB9.8 million, mainly due to our expenses control measures.

- General and administrative expenses. Our general and administrative expenses decreased by 40.1% from RMB319.2 million in 2022 to RMB191.1 million in 2023, primarily due to (1) an 85.1% decrease in share-based compensation expenses of RMB96.6 million, mainly due to a decrease in amortized expenses as the options vested, and (2) a 24.5% decrease in staff expenses of RMB20.9 million, mainly due to decreases in the headcount of and the compensation level for our management and administrative personnel, partially offset by a 29.3% increase in the service fees paid to third parties of RMB15.9 million.

- Impairment loss of goodwill. We did not record impairment loss of goodwill in 2023, as compared to RMB107.4 million recorded in 2022, primarily because the fair value of reporting unit was less than the carrying amount as of December 31, 2022.

- Other operating expenses. We did not record operating expenses in 2023, as compared to RMB70.4 million recorded in 2022, primarily because we expensed the prepayments in 2022 as we expected that there was a possibility that such amounts might not be fully recovered in the future.

Operating loss

As a result of the foregoing, our operating loss decreased by 55.2% from RMB974.1 million in 2022 to RMB436.5 million in 2023.

Other income and expenses

- Interest expenses. Our interest expenses decreased from RMB0.4 million in 2022 to nil in 2023, as we had no borrowings in 2023.

- Interest income. Our interest income increased by 83.4% from RMB14.6 million in 2022 to RMB26.8 million in 2023, primarily due to the increases in average deposits and interest rate.

- Investment income. Our investment income increased by 65.6% from RMB0.3 million in 2022 to RMB0.6 million, primarily due to the increased realized gain related to short-term investments.

- Share of losses of equity method investments. Our share of losses of equity method investments decreased by 25.3% from RMB2.0 million in 2022 to RMB1.5 million in 2023, primarily due to the decreased losses incurred by an equity investee that we invested in.

- Gains from disposal of long-term investments. We recorded gain from disposal of long-term investments of nil in 2023 as we had no such disposal in the same year, as compared to RMB5.1 million in 2022.

- Impairment loss of long-term investments. We incurred impairment loss of long-term investments of RMB8.0 million in 2023, as compared to RMB7.4 million in 2022, primarily due to a non-temporary impairment of the long-term investments.

- Gains from disposal of subsidiaries, net. We recorded gain from disposal of subsidiaries of nil in 2023 as we had no such disposal in the same year, as compared to gain from disposal of subsidiaries of RMB2.7 million in 2022.

- Foreign currency exchange gains (losses), net. We recorded foreign currency exchange gains of RMB5.7 million in 2023, as compared to foreign currency exchange loss of RMB9.7 million in 2022, primarily due to fluctuations in exchange rate between U.S. dollars and Renminbi.

Income tax benefit

We recorded income tax benefit of RMB0.3 million and RMB0.6 million in 2022 and 2023, respectively.

Net loss

As a result of the foregoing, our net loss decreased by 57.7% from RMB975.9 million in 2022 to RMB412.4 million in 2023.

B. Liquidity and Capital Resources

In 2022, 2023 and 2024, we incurred net loss of RMB975.9 million, RMB412.4 million and RMB146.8 million (US$20.1 million), and our net cash used in operating activities was RMB567.3 million, RMB516.2 million and RMB180.2 million (US$24.7 million) in the same years, respectively. In 2022, 2023 and 2024, we recorded cash used in financing activities of RMB52.8 million, nil and nil, respectively. In 2022, 2023 and 2024, net cash provided by investing activities was RMB351.6 million, RMB351.3 million, and RMB460.2 million (US$63.1 million), respectively.

Based upon service type and our assessment of customers' credit and ongoing relationships, our payment terms typically range from 60 to 180 days after our customers have been billed. Days sales outstanding, calculated by gross accounts receivable outstanding as of the year end divided by revenues for the year and multiplied by the number of days in such year, were 132 days, 156 days and 131 days for 2022, 2023 and 2024, respectively. Our days sales outstanding decreased from 156 days in 2023 to 131 in 2024, primarily because we have strengthened the Company's collection management of accounts receivable. Our days sales outstanding increased from 132 days in 2022 to 156 days in 2023, primarily because we extended payment cycles for large customers to maintain stable customer relationship. We will closely monitor our outstanding accounts receivable and follow up with relevant customers on a continuous basis in order to collect overdue balances.

In December 2021, we obtained secured bank loans of RMB5.5 million (US$0.9 million) from the business acquisition of Zhuge, which were secured by the founder of Zhuge. Such bank borrowings were paid off in full in 2022. As of December 31, 2024, we did not have short-term bank borrowings.

As of December 31, 2024, 65.4% of our cash and cash equivalents were held in China, and 25.7% were held by the VIE and denominated in Renminbi. Although we consolidate the results of the affiliated entities, we do not have direct access to the cash and cash equivalents or future earnings of the affiliated entities. However, a portion of the cash balances of the affiliated entities will be paid to us pursuant to our contractual arrangements with the affiliated entities. For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Holding Company Structure."

We believe that our existing cash and cash equivalents and anticipated cash flows from operating and financing activities will be sufficient to meet our anticipated working capital requirements, and capital expenditures in the ordinary course of business for the next 12 months. We may, however, require additional cash resources due to changing business conditions or other future developments, including acquisitions or investments we may decide to selectively pursue. If our existing cash resources are insufficient to meet our requirements, we may seek to issue equity or debt securities or obtain credit facilities. The issue of additional equity securities would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. If we are unable to obtain additional equity or debt financing as required, our business operations and prospects may suffer. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We may need additional capital, and we may be unable to obtain such capital in a timely manner or on acceptable terms, or at all."

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

	Year Ended December 31,			
	2022	2023	2024	
	RMB	RMB	RMB	US$
	(in thousands)			
Net cash used in operating activities	(567,270)	(516,202)	(180,240)	(24,693)
Net cash provided by investing activities	351,628	351,294	460,228	63,051
Net cash used in financing activities	(52,765)	—	—	—
Effect of foreign currency exchange rate changes on cash	138,795	20,092	(11,922)	(1,633)
Net increase/(decrease) in cash and restricted cash	(129,612)	(144,816)	268,066	36,725
Cash and restricted cash at the beginning of the year	656,877	527,265	382,449	52,395
Cash and restricted cash at the end of the year	527,265	382,449	650,515	89,120

Operating activities

Net cash used in operating activities was RMB180.2 million (US$24.7 million) in 2024, primarily due to net loss of RMB146.8 million (US$20.1 million), adjusted primarily by (1) non-cash items including share-based compensation of RMB14.3 million (US$2.0 million), a decrease of allowance for doubtful accounts RMB3.9 million (US$0.5 million), depreciation of property and equipment and amortization of intangible assets of RMB7.6 million (US$1.0 million), amortization of right-of-use asset and interest on lease liabilities of RMB8.5 million (US$1.2 million), investment income of RMB11.9 million (US$1.6 million), unrealized foreign exchange losses of RMB3.7 million (US$0.5 million), (2) changes in working capital that negatively affected operating cash flow, including a decrease in accrued expenses and other current liabilities of RMB22.5 million (US$3.1 million) primarily due to our timely payments to third parties, a decrease in contract liabilities of RMB57.1 million (US$7.8 million) primarily as a result of the decrease in cash received from customers, and an increase in contract assets of RMB13.0 million (US$1.8 million) primarily due to the increased amounts to issue invoices to our project based on customers, and (3) changes in working capital that positively affected operating cash flow, including an decrease in accounts receivable of RMB38.6 million (US$5.3 million) primarily due our strengthened collection management of accounts receivable, and an increase in accounts payable of RMB7.8 million (US$1.1 million) primarily due to our effectively management of payments to mobile network operators for telecommunications resources.

Net cash used in operating activities was RMB516.2 million in 2023, primarily due to net loss of RMB412.4 million, adjusted primarily by (1) non-cash items including share-based compensation of RMB22.2 million, allowance for doubtful accounts RMB16.5 million, depreciation of property and equipment and amortization of intangible assets of RMB8.8 million, impairment loss of long-term investments of RMB8.0 million, (2) changes in working capital that negatively affected operating cash flow, including a decrease in accrued expenses and other current liabilities of RMB118.2 million primarily relating to payment for U.S class action, a decrease in accounts payable of RMB34.4 million primarily due to the increase of payment to mobile network operators for telecommunications resources, and an increase in accounts receivable from third parties, net of RMB28.1 million primarily due to the decrease in customer collections, and (3) changes in working capital that positively affected operating cash flow, including a decrease in contract assets of RMB26.7 million primarily as such amounts were reclassified into accounts receivable following our issuance of invoices.

Net cash used in operating activities was RMB567.3 million in 2022, primarily due to net loss of RMB975.9 million, adjusted primarily by (1) non-cash items including share-based compensation of RMB107.5 million, impairment loss of goodwill of RMB107.4 million, provision for U.S class action of RMB83.6 million, impairment loss of intangible asset of RMB28.0 million and allowance for doubtful accounts of RMB25.6 million, (2) changes in working capital that negatively affected operating cash flow, including an increase in contract assets of RMB31.4 million, an increase in operating lease right-of-use assets of RMB25.2 million primarily as we adopted new accounting policies for operating leases in January 2022 and recognized right-of-use assets and lease liabilities based on the present value of the lease payments over the lease term, and a decrease in accounts payable of RMB24.6 million primarily due to the decrease in advances to mobile network operators for telecommunications resources, which was in line with the decrease in our CPaaS business, and (3) changes in working capital that positively affected operating cash flow, including an increase in contract liabilities of RMB61.9 million primarily as a result of the increase in cash received from customers, and an decrease in prepayments and other current assets of RMB27.6 million.

Investing activities

Net cash provided by investing activities was RMB460.2 million (US$63.1 million) in 2024, primarily due to cash received from maturity of term deposits of RMB1,571.5 million (US$215.3 million) and cash received from sale of short-term investments of RMB357.8 million (US$49.0 million), partially offset by cash paid for term deposits of RMB1,243.9 million (US$170.4 million) and cash paid for purchase of short-term investments of RMB222.0 million (US$30.4 million).

Net cash provided by investing activities was RMB351.3 million in 2023, primarily due to cash received from maturity of term deposits of RMB1,308.9 million and cash received from sale of short-term investments of RMB24.7 million, partially offset by cash paid for term deposits of RMB938.5 million and cash paid for purchase of short-term investments of RMB28.2 million.

Net cash provided by investing activities was RMB351.6 million in 2022, primarily due to cash received from maturity of term deposits of RMB5,040.3 million, cash received from disposal of long-term investments of RMB65.0 million and cash received from sale of short-term investments of RMB64.8 million, partially offset by cash paid for term deposits of RMB4,345.9 million and cash paid for purchase of short-term investments of RMB349.4 million.

Financing activities

We did not incur net cash used in or provided by financing activities in 2023 and 2024, primarily because we possessed sufficient cash and did not engage in any financing activity in 2023 and 2024.

Net cash used in financing activities was RMB52.8 million in 2022, primarily due to repurchase of treasury stock of RMB39.3 million, repayment of long-term borrowings of RMB8.0 million, and repayment for short-term bank borrowings of RMB5.5 million.

Capital Expenditures

Our capital expenditures are incurred primarily in connection with purchase of property and equipment such as computer, software and office equipment and purchase of intangible assets including software copyrights and telecommunication business licenses. Our capital expenditures were RMB6.8 million, RMB1.8 million, and RMB3.2 million (US$0.4 million) in 2022, 2023 and 2024, respectively. We intend to fund our future capital expenditures with our existing cash balance.

Holding Company Structure

We conduct our operations primarily through our subsidiaries and the affiliated entities in China. As a result, our ability to pay dividends depends upon dividends paid by our subsidiaries and fees paid by the affiliated entities. If our subsidiaries or any newly formed subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us.

In addition, our subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with the Accounting Standards for Business Enterprise as promulgated by the MOF, or PRC GAAP. Under PRC law, each of our PRC subsidiaries and the affiliated entities is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory surplus reserve until such reserve reaches 50% of its registered capital. In addition, our subsidiaries in China may allocate a portion of their after-tax profits based on PRC GAAP to enterprise expansion funds as well as staff bonus and welfare funds at its discretion, and the affiliated entities may allocate a portion of their after-tax profits based on PRC GAAP to a discretionary surplus fund at their discretion. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the statutory reserve funds are not distributable as cash dividends.

As an offshore holding company, we are permitted under PRC laws and regulations to provide funding from the proceeds of our offshore fundraising activities to our PRC subsidiaries only through loans or capital contributions, and to the affiliated entities only through loans, in each case subject to the satisfaction of the applicable government registration and approval requirements. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may affect our ability to capitalize or otherwise fund our PRC operations." As a result, there is uncertainty with respect to our ability to provide prompt financial support to our PRC subsidiaries and the affiliated entities in China when needed.

Financial Information Related to the VIE

The following tables present the consolidating schedule of financial information relating to Cloopen Group Holding Limited, or the Parent, consolidated affiliated entities and non-VIE consolidated entities as of and for the years ended December 31, 2022, 2023 and 2024.

Selected consolidated statements of comprehensive loss data

	Year ended December 31, 2022				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
			(RMB in thousands)		
Total revenues	—	636,320	52,911	(95,597)	593,634
Cost of revenues	—	(324,465)	(137,686)	94,817	(367,334)
Gross profit	—	311,855	(84,775)	(780)	226,300
Operating expenses	(238,074)	(860,969)	(109,776)	8,375	(1,200,444)
Operating loss	(238,074)	(549,114)	(194,551)	7,595	(974,144)
Loss before income taxes	(238,074)	(548,206)	(194,782)	4,821	(976,241)
Net loss	(238,074)	(544,042)	(198,605)	4,822	(975,899)

	Year ended December 31, 2023				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
			(RMB in thousands)		
Total revenues	—	553,910	45,600	(28,486)	571,024
Cost of revenues	—	(346,257)	(49,906)	29,788	(366,375)
Gross profit	—	207,653	(4,306)	1,302	204,649
Operating expenses	(89,953)	(439,508)	(92,566)	(19,167)	(641,194)
Operating loss	(89,953)	(231,855)	(96,872)	(17,865)	(436,545)
Loss before income taxes	(89,953)	(233,465)	(103,841)	14,321	(412,938)
Net loss	(89,953)	(232,856)	(103,885)	14,320	(412,374)

	Year ended December 31, 2024				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
			(RMB in thousands)		
Total revenues	—	563,277	55,685	(45,396)	573,566
Cost of revenues	—	(360,984)	(43,748)	42,015	(362,717)
Gross profit	—	202,293	11,937	(3,381)	210,849
Operating expenses	(32,074)	(222,378)	(103,961)	(50,278)	(408,691)
Operating loss	(32,074)	(20,085)	(92,024)	(53,659)	(197,842)
Loss before income taxes	(32,074)	(33,370)	(89,806)	8,107	(147,143)
Net loss	(32,074)	(33,078)	(89,781)	8,106	(146,827)

Selected consolidated balance sheets data

	As of December 31, 2022				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
			(RMB in thousands)		
Total current assets	840,910	562,507	2,919,641	(2,175,169)	2,147,889
Total non-current assets	857,362	526,143	419,966	(1,638,269)	165,202
Total assets	1,698,272	1,088,650	3,339,607	(3,813,438)	2,313,091
Total current liabilities	135,054	2,558,058	(488,308)	(1,460,298)	744,506
Total non-current liabilities	—	6,262	2,381	—	8,643
Total liabilities	135,054	2,564,320	(485,927)	(1,460,298)	753,149
Total shareholders' equity attributable to Cloopen Group Holding Limited	1,563,218	(1,472,394)	3,825,534	(2,353,140)	1,563,218
Non-controlling interests	—	(3,276)	—	—	(3,276)
Total liabilities and shareholders' equity	1,698,272	1,088,650	3,339,607	(3,813,438)	2,313,091

	As of December 31, 2023				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
			(RMB in thousands)		
Total current assets	145,207	509,400	1,142,659	(163,853)	1,633,413
Total non-current assets	1,108,131	213,207	2,264,779	(3,435,442)	150,675
Total assets	1,253,338	722,607	3,407,438	(3,599,295)	1,784,088
Total current liabilities	52,372	2,728,417	22,400	(2,217,187)	586,002
Total non-current liabilities	—	2,799	249	—	3,048
Total liabilities	52,372	2,731,216	22,649	(2,217,187)	589,050
Total shareholders' equity attributable to Cloopen Group Holding Limited	1,200,966	(2,002,681)	3,384,789	(1,382,108)	1,200,966
Non-controlling interests	—	(5,928)	—	—	(5,928)
Total liabilities and shareholders' equity	1,253,338	722,607	3,407,438	(3,599,295)	1,784,088

	As of December 31, 2024				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
			(RMB in thousands)		
Total current assets	263,126	421,886	805,866	(55,199)	1,435,679
Total non-current assets	993,075	233,663	2,569,349	(3,653,387)	142,700
Total assets	1,256,201	655,549	3,375,215	(3,708,586)	1,578,379
Total current liabilities	181,624	2,655,390	(120,570)	(2,207,841)	508,603
Total non-current liabilities	—	3,173	2,024	—	5,197
Total liabilities	181,624	2,658,563	(118,546)	(2,207,841)	513,800
Total shareholders' equity attributable to Cloopen Group Holding Limited	1,074,577	(1,993,016)	3,493,761	(1,500,745)	1,074,577
Non-controlling interests	—	(9,998)	—	—	(9,998)
Total liabilities and shareholders' equity	1,256,201	655,549	3,375,215	(3,708,586)	1,578,379

Selected consolidated statements of cash flows data

	Year ended December 31, 2022				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
			(RMB in thousands)		
Net cash used in operating activities	(290,137)	(574,227)	(215,296)	512,390	(567,270)
Net cash provided by investing activities	(335,194)	26,940	(15,224)	675,106	351,628
Net cash provided by financing activities	(47,474)	437,759	148,688	(591,738)	(52,765)

	Year ended December 31, 2023				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
			(RMB in thousands)		
Net cash used in operating activities	(133,979)	(184,395)	(197,828)	—	(516,202)
Net cash used in investing activities	(569,407)	(6,700)	(860,399)	1,787,800	351,294
Net cash provided by financing activities	—	218,926	1,568,874	(1,787,800)	—

	Year ended December 31, 2024				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
			(RMB in thousands)		
Net cash used in operating activities	115,285	46,516	(342,041)	—	(180,240)
Net cash used in investing activities	(486)	(3,216)	35,173	428,757	460,228
Net cash provided by financing activities	—	(4,712)	4,712	—	—

Off-Balance Sheet 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.

Commitments

The following table sets forth our contractual obligations as of December 31, 2024.

	Total		Year Ending December 31,		
			2025	2026	2027
	RMB	US$	RMB	RMB	RMB
			(in thousands)		
Purchase commitments*	5,424	743	5,274	90	60

* Relates to purchase of software and equipment. The purchase commitments are contracted but not yet reflected in the consolidated financial statements as of December 31, 2024.

Save as disclosed above, we did not have any significant capital or other commitments, long term obligations or guarantees as of December 31, 2024.

C. Research and Development, Patents and Licenses, etc.

See "Item 4. Information on the Company—B. Business Overview—Research and Development" and "Item 4. Information on the Company—B. Business Overview—Intellectual Property."

D. Trend Information

Other than as disclosed in this annual report, we are not aware of any trend, uncertainty, demand, commitment or event for the year of 2024 that are reasonably likely to have a material adverse effect on our revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial condition.

E. Critical Accounting Estimates

We prepared the consolidated financial statements in accordance with U.S. GAAP. When reviewing our financial statements, you should consider our selection of critical accounting policies, our judgments and other uncertainties affecting our applications of those policies and the sensitivity of reported results to changes of such policies, judgments and uncertainties. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements. You should read the following descriptions of critical accounting policies, judgments and estimates in conjunction with our consolidated financial statements and other disclosures included in this annual report.

Revenue recognition

We account for our revenue contracts in accordance with ASC Topic 606, Revenue from Contracts with Customers (ASC 606). According to ASC 606, revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. We determine revenue recognition through the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

We generate substantially all of our revenues from the following services and products:

1) CPaaS, which allows customers to send text messages and place voice calls using our cloud-based platform;

2) Cloud-based CC, with which customers can operate their virtual contact centers and access related value-added services using our cloud-based platform; and

3) Cloud-based UC&C, where we create customized communications software on customers' private clouds to meet their specific needs and deliver the software licenses to customers.

We recognize revenue upon the transfer of control of promised products or services provided to our customers, in the amount of consideration we expect to receive for those products or services (excluding sales taxes collected on behalf of government authorities). Our revenue contracts generally do not include a right of return in relation to the delivered products or services.

The timing of revenue recognition may differ from the timing of invoicing to our customers. We record a contract asset when revenue is recognized prior to invoicing, and a contract liability when payment is received from a customer in advance of revenue recognition. We generally issue invoices based on contract terms, which may be when the services are completed, upon customer acceptance of our deliverables or at preset milestones. Payments are due with standard payment terms which are generally not more than 90 days from invoice issuance.

CPaaS revenues

We account for revenue from customers' usage of text message and voice call services on our CPaaS platform as two separate performance obligations. Our service fees are determined by applying the contractual unit price to the monthly usage volume of text messages sent or minutes of voice calls placed and a contractual monthly fixed charge per subscriber multiplied by the number of subscribers recorded by our CPaaS platform where relevant. The cloud-based services to send text messages and place voice calls are sold separately to customers with observable standalone selling prices.

We also provide services as an agent in provision of CPaaS platforms to customers. We have identified one performance obligation and recognized the revenues, on a monthly basis, at the amount equal to the difference between the amount charged to the customers and the amount charged by telecommunication operators.

The service contracts are generally with a length between three and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide the customer with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant us or customers a unilateral right to terminate the contracts before completion.

Cloud-based CC revenues

Customers subscribe to our basic cloud-based CC services at a fixed monthly fee and pay for other value-added services on a usage basis. We recognize the monthly service fees ratably over the contract period during which we are obligated to grant customers continuous access to those basic cloud-based CC services. Revenue for other value-added services on top of the basic subscription is determined by applying the contractual unit price to the monthly usage volume and recognized when the related services are provided to customers. The basic subscription is sold to customers at the same price with or without the value-added services, so the transaction price is allocated on the basis of observable stand-alone selling prices.

The service contracts are generally with a length between three and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide customers with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant us or customers a unilateral right to terminate the contracts before completion.

We also offer customized cloud-based CC solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. We have identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized CC license and other highly interdependent and interrelated services, and have accounted for the promise as one combined performance obligation. We apply an iterative process to design, test and implement the software in customers' IT environment and recognizes revenue for this performance obligation over a period of time during which the control of the customized cloud-based CC solution is progressively transferred to the customers. We use an input method to estimate progress, based on the proportion of the labor hours incurred relative to the estimated total labor hours. We also offer standard or non-complex cloud-based CC solutions to customers, and have identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. Our cloud-based CC contracts generally include a standard assurance-type warranty.

Cloud-based UC&C revenues

We offer customized cloud-based UC&C solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. We have identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized UC&C license and other highly interdependent and interrelated services, and have accounted for the promise as one combined performance obligation. We apply an iterative process to design, test and implement the software in customers' IT environment and recognize revenue for this performance obligation over a period of time during which the control of the customized UC&C solution is progressively transferred to the customers. We use an input method to estimate progress, based on the proportion of the labor hours incurred relative to the estimated total labor hours. We also offer standard or non-complex cloud-based UC&C solutions to customers, and have identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. Our cloud-based UC&C contracts generally include a standard assurance-type warranty.

Share-based compensation

Share-based awards granted to the founders and employees in the form of restricted shares are measured at the grant date fair value of the awards, and are recognized as compensation expense using the graded-vesting schedules over the requisite service period for each separately vesting portion (or tranche) of the award. We elect to recognize the effect of forfeitures in compensation cost when they occur. To the extent the required vesting conditions are not met resulting in the forfeiture of the share-based awards, previously recognized compensation expense relating to those awards is reversed.

Share-based compensation in relation to the restricted ordinary shares is measured based on the fair value of our ordinary shares at the award grant date, which is estimated using the income approach and equity allocation method. Estimating the fair value of our ordinary shares involves significant assumptions that might not be observable in the market, and a number of complex and subjective variables, discount rate, risk-free interest rate and subjective judgments regarding our projected financial and operating results, our unique business risks, the liquidity of our ordinary shares and our operating history and prospects at the time of the grant. Share-based compensation in relation to the share options is estimated using the binomial option pricing model. The determination of the fair value of share options is affected by the price of our ordinary shares as well as the assumptions regarding a number of complex and subjective variables, including the expected share price volatility, risk-free interest rate, exercise multiple and expected dividend yield. The fair value of these awards was determined by our management with the assistance from a valuation report prepared by an independent valuation firm using our management's estimates and assumptions.

In January 2017, we adopted the 2016 Plan. Under the 2016 Plan, we granted nil, nil and 1,000,000 share options to our directors, officers and employees for 2022, 2023 and 2024, respectively. In January 2021, we adopted the 2021 Plan, under which restricted share units to purchase 11,707,389 Class A ordinary shares have been granted as of the date of this annual report, excluding those repurchased. See "Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plans" for more information in respect of the key terms of the 2016 Plan and the 2021 Plan and the outstanding options granted under such plans as of the date of this annual report. Further, in connection with the acquisition of EliteCRM in March 2021, we issued 2,411,177 Class A ordinary shares in the form of restricted shares as equity awards to certain management members of EliteCRM. In addition, in connection with the acquisition of Zhuge in December 2021, we issued 468,455 Class A ordinary shares in the form of restricted shares as equity awards to certain management members of Zhuge (excluding those repurchased pursuant to performance target adjustments). These restricted shares were issued under a private placement pursuant to an exemption or exclusion from the registration requirements under the Securities Act, subject to certain vesting schedule and forfeiture to the extent any share remains unvested in case of early termination of employment.

The weighted average grant date fair value of the share options granted was nil, nil and US$0.29 for 2022, 2023 and 2024, respectively. The fair values of the options granted are estimated on the dates of grant using the binomial option pricing model with the following assumptions used.

	Year Ended December 31, 2024
Risk-free rate of return[1]	2.50%
Volatility[2]	45.0%
Expected dividend yield[3]	0%
Exercise multiple[4]	2.20
Fair value of underlying ordinary share	US$0.30- US$0.52
Expiration terms[5]	10 years

(1) We estimate risk-free interest rate based on the yield to maturity of U.S. treasury bonds denominated in U.S. dollars for a term consistent with the expected term of our options in effect at the option valuation date.

(2) We estimate expected volatility based on the historical volatility of comparable peer public companies with a time horizon close to the expected term of our options.

(3) Expected dividend yield is zero as we do not anticipate any dividend payments in the foreseeable future.

(4) We estimate the expected exercise multiple as the average ratio of the stock price to the exercise price of when our employees will decide to voluntarily exercise their vested options. As we did not have sufficient information of past employee exercise history, it was estimated by referencing to a widely-accepted academic research publication.

(5) Expiration term is the contract life of the options.

In 2022, 2023 and 2024, we recorded share-based compensation expenses of RMB107.5 million, RMB22.2 million, and RMB14.3 million (US$2.0 million) related to our share options, restricted shares, ordinary shares issued to management employees to acquire their equity interests in majority-owned subsidiaries. The following table sets forth the breakdown of our share-based compensation expenses both in absolute amount and as a percentage of total share-based compensation expenses in the years indicated.

	Year Ended December 31,						
	2022		2023		2024		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Cost of revenues	(621)	(0.6)	3	0.0	-	-	0.0
Research and development expenses	(5,953)	(5.5)	1,660	7.5	(490)	(67)	(3.4)
Selling and marketing expenses	510	0.5	3,639	16.4	11,314	1,550	79.1
General and administrative expenses	113,526	105.6	16,937	76.1	3,481	477	24.3
Total	**107,462**	**100.0**	**22,239**	**100.0**	**14,305**	**1,960**	**100.0**

Recent Accounting Pronouncements

For detailed discussion on recent accounting pronouncements, see Note 2(ii) to our consolidated financial statements included elsewhere in this annual report.

Taxation

Cayman Islands

We are incorporated in the Cayman Islands. The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution, brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, our Hong Kong subsidiary is subject to Hong Kong Special Administrative Region profits tax at the rate of 16.5% on its taxable income generated from the operations in Hong Kong. Payments of dividends by the Hong Kong subsidiary to the Company is not subject to withholding tax in Hong Kong. A two-tiered profits tax rates regime was introduced in 2018 where the first HK$2.0 million of assessable profits earned by a company will be taxed at half of the current tax rate at 8.25%, whilst the remaining profits will continue to be taxed at 16.5%. There is an anti-fragmentation measure where each group will have to nominate only one company in the group to benefit from the progressive rates. No material provision for Hong Kong profits tax has been made in the financial statements as the subsidiary in Hong Kong has no assessable profits for the years ended December 31, 2022, 2023 and 2024.

Japan

Our Japan subsidiary, Cloopen Japan Co., Ltd., is subject to Japanese corporation tax (including national corporation tax, local enterprise tax and other income-based taxes) on its worldwide income. The statutory effective tax rate is approximately 30% to 34%, depending on the size of the company.

Dividends paid by a Japanese company are generally subject to Japanese withholding tax. If the Japanese company paying dividends is a non-listed company and the payee is a non-resident of Japan, the rate of such withholding tax is 20.42% under Japanese tax law. We enjoy preferential withholding tax rate of 10% under Japan-China tax treaty.

PRC

Our PRC subsidiaries and affiliated entities are subject to the EIT Law and are taxed at the statutory income tax rate of 25%, unless otherwise specified. Certain of the affiliated entities were recognized as HNTEs and were entitled to a preferential enterprise income tax rate of 15%. The HNTE status is subject to annual evaluation and a requirement that relevant entities re-apply for HNTE status every three years.

Our PRC subsidiaries and affiliated entities are subject to value added tax, or VAT. Revenues from providing cloud communication services and communication devices sales are generally subject to VAT at the rate of 6% and 13% since April 1, 2019, or 6% and 16% between May 1, 2018 and April 1, 2019, or 6% and 17% before May 1, 2018, and subsequently paid to PRC tax authorities after netting input VAT on purchases. The excess of output VAT over input VAT is reflected in accrued expenses and other current liabilities, and the excess of input VAT over output VAT is reflected in prepayments and other current assets in the consolidated balance sheets.

The EIT law imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise, or FIE, to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where we are incorporated, does not have such tax treaty with China. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% if the immediate holding company in Hong Kong owns directly at least 25% of the shares of the FIE and could be recognized as a beneficial owner of the dividend from PRC tax perspective. We did not record any dividend withholding tax, as our PRC subsidiaries and affiliated entities have no retained earnings in any of the periods presented.

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose "*de facto* management body" is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law define the location of the "*de facto* management body" as "the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, property, etc., of a non-PRC enterprise is located." Based on a review of surrounding facts and circumstances, we believe that our operations outside the PRC will unlikely be considered a "resident enterprise" for PRC tax purposes. If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the EIT Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or the ADSs holders."

[OMITTED]

B2. ADDITIONAL DISCLOSURES IN THE ANNUAL REPORT OF CLOOPEN FOR THE YEAR ENDED DECEMBER 31, 2024 THAT MEET THE REQUIREMENTS IN PARAGRAPH 32 OF APPENDIX D2 TO THE LISTING RULES

Hedging in relation to foreign currency risks

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited, and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by relevant exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

Employees

As of December 31, 2024, we had a total of 1,107 employees. The following table sets forth the breakdown of our employees as of December 31, 2024 by function.

Function	Number of Employees	% of Total
Research and development	263	23.8
Sales and marketing	282	25.5
Project execution	473	42.7
General administration	89	8.0
Total	1,107	100

We believe we offer our employees competitive compensation packages and a dynamic work environment that encourages initiative and is based on merit. As a result, we have generally been able to attract and retain qualified personnel and maintain a stable core management team.

We believe that we maintain a good working relationship with our employees, and we have not experienced any major labor disputes. None of our employees is represented by labor unions.

C1. OPERATING AND FINANCIAL REVIEW AND PROSPECTS OF THE CLOOPEN GROUP FOR THE YEAR ENDED DECEMBER 31, 2025

[OMITTED]

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our results of operations and financial condition together with the consolidated financial statements and related notes included elsewhere in this annual report. This discussion contains forward-looking statements based upon current plans, expectations and beliefs that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the section of this annual report captioned "Item 3. Key Information—D. Risk Factors" and in other parts of this annual report. Our fiscal year ends on December 31.

A. Operating Results

Overview

We are a leading multi-capability cloud-based communications solution provider in China offering a full suite of cloud-based communications solutions, covering CPaaS, cloud-based CC and cloud-based UC&C. We serve a diverse and loyal customer base consisting of enterprises of all sizes across a variety of industries, including internet, telecommunications, financial services, industrial manufacturing and energy.

We generate our revenues primarily from our CPaaS, cloud-based CC and cloud-based UC&C solutions. We generally charge our customers using our CPaaS solutions on a recurring basis, based on the monthly number of text messages and call minutes facilitated. We charge our customers using our cloud-based CC solutions deployed on public cloud on a recurring basis, with a combination of seat subscription fees and related resource usage fees. We generally charge our customers using our cloud-based CC solution deployed on private cloud and cloud-based UC&C solutions on a project basis. We plan to promote solutions that we offer on a recurring basis to lower customer acquisition costs, which we expect would favorably contribute to our profit margins.

As of December 31, 2023, 2024 and 2025, we had an active customer base of 8,703, 7,529 and 6,151 enterprises, respectively, among which 121, 114 and 102 were large-enterprise customers, respectively. In 2023, 2024 and 2025, the dollar-based net customer retention rate in relation to solutions we offer on a recurring basis was 85.8%, 74.6% and 76.7%, respectively, and the dollar-based net customer retention rate for active customers was 89.0%, 77.4% and 79.6%, respectively. We served 279, 337 and 339 customers for our project-based solutions in 2023, 2024 and 2025, respectively. Our revenues increased by 0.4% from RMB571.0 million in 2023 to RMB573.6 million in 2024, and decreased by 6.6% to RMB535.7 million (US$76.6 million) in 2025. In 2023, 2024 and 2025, we incurred net loss of RMB412.4 million, RMB146.8 million and RMB238.8 million (US$34.1 million), respectively, and our adjusted EBITDA was RMB405.5 million, RMB225.4 million, and RMB227.4 million (US$32.5 million), respectively. See "—Non-GAAP Financial Measures" for information on how we define and calculate the non-GAAP financial measures as well as a reconciliation of non-GAAP adjusted EBITDA to net loss.

Factors Affecting Our Results of Operations

Our business and results of operations are affected by China's overall economic conditions and structural transformations, especially the development of telecommunications industry and cloud-based communications industry, as well as the following industry- and company-specific factors.

Capturing market opportunity

Our ability to capture market opportunity is critical to our growth prospects. Compared to more developed regions such as the North America and Western Europe, enterprises in China are still in the early stages of adopting cloud-based technologies, which presents significant growth opportunity. The maturity level of China's network and related infrastructure for cloud computing also provides a solid foundation for rapid adoption of cloud technologies in China.

In addition, China's communications industry is highly fragmented, consisting primarily of many local players. The software-based nature and scalability of cloud-based communications solutions are well-suited to allow easy deployment across different geographical locations and industries. We focus on applying cloud-based technologies to enterprise communications, leveraging our established partnerships with multiple regional mobile network operators. Equipped with such established business relationships as well as our solutions and proprietary technologies in AI and video communications, we believe we are well-positioned to capture the significant market opportunity to consolidate China's cloud-based communications industry. Meanwhile, in order to achieve a larger market share, we will need to devote more managerial attention and financial and other resources to address the potential challenges faced by a rapidly growing business in an evolving industry.

Improving customer acquisition, retention and lifetime value

Our results of operations are highly dependent on the total number and the lifetime value of our customers. We have cultivated a large and diverse customer base of enterprises of all sizes and various industries, including internet, telecommunications, financial services, industrial manufacturing and energy. As of December 31, 2023, 2024 and 2025, we had an active customer base of 8,703, 7,529 and 6,151 enterprises, respectively, among which 121, 114 and 102 were large-enterprise customers, respectively. To retain and grow our customer base, we need to predict future market acceptance and customer demand and continue to invest in sales and marketing to penetrate into more industry verticals and second- and lower-tier cities and further promote our brand image and recognition in China's cloud-based communications industry. We also plan to expand our cross-selling and up-selling efforts to existing customers.

Introducing new features and solutions

To capitalize on the opportunities from the fast-evolving communications needs of China's enterprises of all sizes, we believe it is critical to continuously develop and introduce new features and solutions that optimize communication efficiency and efficacy and enhance operational productivity. We believe our capabilities of developing and offering a comprehensive portfolio of industry-specific solutions that satisfy disparate needs and complex internal integration and deployment requirements contribute to the success of our business operations. We must continue to invest in research and development with a focus on AI and video technologies and incorporate these technologies to develop more innovative features and solutions. We will also need to enhance the interaction of product development and sales activities and actively seek and analyze customer feedback in order to design new features and solutions catering to customer demands.

Optimizing product offering mix

Our ability to manage our product offering mix affects our results of operations, especially our overall profit margin. For example, our cloud-based CC and cloud-based UC&C solutions typically carry higher gross profit margins, as these solutions are more technologically advanced and, therefore, give us greater pricing power. To improve our overall profit margin and achieve higher financial scalability, we will need to continue to shift our focus toward offering solutions with higher profit margins. We also plan to selectively promote solutions that we offer on a recurring basis to lower customer acquisition costs, which we expect would favorably contribute to our profit margins. In addition, we need to serve more customers in targeted industries to lower the incremental industry customization costs and to achieve greater economies of scale and higher profit margins from the industries we more broadly serve.

Controlling costs and expenses

One of the largest costs we incur during our business operations, particularly for our CPaaS solutions and cloud-based CC solutions that we offer on a recurring basis, is service fees paid for telecommunications resources. In 2023, 2024 and 2025, costs paid for telecommunications resources represented 55.0%, 52.0% and 32.3% of our total cost of revenues, respectively. Mobile network operators in China typically adjust the unit prices for resources, such as text messages and voice calls, once every several years based on government recommendations. A sudden adjustment by major mobile network operators would likely negatively affect our results of operations in current contract periods because we may not be able to pass on the impact to our customers as a result of fixed unit resource price throughout the current contract periods. On the other hand, we are generally able to pass on the impact from such unit price adjustment to customers relatively quickly due to our relatively short contract periods, which enable us to adjust our resource usage fees from time to time. Additionally, we may also benefit from the increase in the unit resource price in the long term because such price increase could eliminate weaker market players and strengthen our market leadership position.

In addition, staff costs and expenses incurred to attract and retain a team of talented staff is a major component of our overall costs and expenses. While we strive to optimize our compensation and incentive structure, we remain mindful that investment in human resources plays a significant role in maintaining our competitive position. As a significant portion of our overall costs and expenses, our ability to control our staff costs and expenses without compromising our competitiveness is critical to our results of operations.

Managing development cycle

Our ability to manage the overall development cycle of our project-based solutions affects our revenues and profit margin in specific periods. We generally incur a significant amount of upfront investment and costs in developing new solutions and serving customers in new industries to meet their complex communications needs, implementation requirements and industry-specific customizations. We have also historically undertaken smaller projects with lower profit margins to enter into the markets for project-based solutions, such as for our cloud-based UC&C solutions. These initial development costs and investments may increase our costs and expenses and decrease our overall profit margins in certain periods. We are generally able to replicate our initial solution development and achieve economies of scale quickly after we deliver our industry-specific projects to more customers within the same industry or build upon our existing projects to develop similar solutions for more customers from other industries. As we continue to standardize our industry-specific solutions for more customers in diverse industries, we expect to manage the upfront investment at reasonable level and optimize our development cycle.

Strategic investment and acquisitions

We have made, and intend to continue to make, strategic acquisitions to solidify our current market presence and expand into new industries. For example, in March 2021, we acquired all the equity interests of EliteCRM, a leading customer relationship management software provider, and in December 2021, we acquired all the equity interests of Zhuge, a user-centric intelligent data solution provider. We intend to selectively pursue strategic alliances and investments to further strengthen our competitiveness. We expect to evaluate and execute alliance, investment and acquisition opportunities that complement and scale up our business, optimize our profitability, help us expand into adjacent industries and add new capabilities to our cloud-based solutions. Our strategic alliances, investments and acquisitions would likely impact our business, results of operations and financial condition.

Seasonality

Our business is subject to seasonal fluctuations. We believe that our quarterly sales are affected by industry buying patterns. Our customers, especially large enterprises, tend to enter into contracts with us in the second half of each year in accordance with their budget cycles. As such, we generally record higher revenues during such periods. In addition, we typically generate lower revenues in the first quarter during or around Chinese New Year holiday. Changes in seasonal trends may cause fluctuations in our results of operations and financial condition.

Key Operating Metrics

	As of/For the Year Ended December 31,		
	2023	2024	2025
Number of active customers	8,703	7,529	6,151
Number of large-enterprise customers	121	114	102
Percentage of revenue contribution by large-enterprise customers	67.0%	68.7%	70.1%
Dollar-based net customer retention rate	85.8%	74.6%	76.7%

* The operating metrics of EliteCRM and Zhuge are included in the operating metrics as of/for the year ended December 31, 2023, 2024, and 2025.

Our dollar-based net customer retention rate increased from 74.6% in 2024 to 76.7% in 2025, primarily driven by the incremental revenues generated from successful cross-selling to our existing customers, which positively offset the respective declines in the retention rates of our CPaaS and cloud-based CC businesses. In 2023, 2024 and 2025, our dollar-based net customer retention rate for active customers was 89.0%, 77.4% and 79.6%, respectively.

We expect that, as the applicable regulatory framework becomes more established, and as we continuously optimize our existing solutions and develop new features and solutions, our dollar-based net customer retention rate will remain stable at a relatively high level.

Non-GAAP Financial Measures

To supplement our consolidated financial statements which are presented in accordance with U.S. GAAP, we also use non-GAAP net loss and adjusted EBITDA as additional non-GAAP financial measures. We present the non-GAAP financial measures because they are used by our management to evaluate our operating performance. We also believe that the non-GAAP financial measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

We define non-GAAP net loss as net loss excluding share-based compensation, (gains)/losses from disposal of subsidiaries, net, impairment loss of long-term investments and other operating income. We define adjusted EBITDA as net loss excluding depreciation and amortization, interest income, income tax benefit, share-based compensation, investment income, impairment loss of long-term investments, other operating income, (gains)/losses from disposal of subsidiaries, net, share of (gains)/losses of equity method investments, and foreign currency exchange (gains)/losses, net. We believe that non-GAAP financial measures provide useful information to investors and others in understanding and evaluating our operating results. The non-GAAP financial measures adjust for the impact of items that we do not consider indicative of the operational performance of our business and should not be considered in isolation or construed as an alternative to net loss or any other measure of performance or as an indicator of our operating performance. Investors are encouraged to compare the historical non-GAAP financial measures with the most directly comparable GAAP measures. The non-GAAP financial measures presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

The following table sets forth a reconciliation of our non-GAAP financial measures to net loss for the years indicated.

	Year Ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US$
Net loss	**(412,374)**	**(146,827)**	**(238,801)**	**(34,149)**
Add:				
Share-based compensation	22,239	14,305	13,193	1,887
(Gains)/losses from disposal of subsidiaries, net	—	(403)	1,743	249
Impairment loss of long-term investments	8,011	—	11,145	1,594
Other operating income	—	(49,530)	—	—
Non-GAAP net loss	**(382,124)**	**(182,455)**	**(212,720)**	**(30,419)**
Net loss	**(412,374)**	**(146,827)**	**(238,801)**	**(34,149)**
Add:				
Depreciation and amortization	8,775	**7,634**	5,058	723
Interest income	(26,826)	**(42,151)**	(10,656)	(1,524)
Income tax benefit	(564)	(316)	(820)	(117)
EBITDA:	**(430,989)**	**(181,660)**	**(245,219)**	**(35,067)**
Adjust:				
Share-based compensation	22,239	14,305	13,193	1,887
Investment income	(563)	(11,859)	(10,423)	(1,490)
Impairment loss of long-term investments	8,011	—	11,145	1,594
Other operating income	—	(49,530)	—	—
(Gains)/losses from disposal of subsidiaries, net	—	(403)	1,743	249
Share of (gains)/losses of equity method investments	1,470	(3)	1,638	234
Foreign currency exchange (gains)/losses, net	(5,699)	3,717	513	73
Adjusted EBITDA	**(405,531)**	**(225,433)**	**(227,410)**	**(32,520)**

Key Components of Our Results of Operations

Revenues

We generate revenue primarily from the sales of our CPaaS, cloud-based CC and cloud-based UC&C solutions. In 2023, 2024 and 2025, our revenues were RMB571.0 million, RMB573.6 million and RMB535.7 million (US$76.6 million), respectively. The following table sets forth the breakdown of our total revenues both in absolute amount and as a percentage of total revenues in the years indicated.

	Year Ended December 31,						
	2023		2024		2025		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
CPaaS							
Text messaging	136,654	23.9	132,242	23.1	80,927	11,572	15.1
Voice calls	25,958	4.5	35,706	6.2	42,739	6,112	8.0
Jointly-operated CPaaS	15,439	2.7	—	—	—	—	0.0
IoT	13,937	2.4	21,440	3.7	24,931	3,565	4.7
Others	3,423	0.6	18	—	69	10	0.0
Subtotal	**195,411**	**34.2**	**189,406**	**33.0**	**148,666**	**21,259**	**27.8**
Cloud-based CC							
Recurring[(1)]	179,042	31.4	150,165	26.2	99,917	14,288	18.7
Project	77,919	13.6	117,916	20.6	119,251	17,053	22.3
Subtotal	**256,961**	**45.0**	**268,081**	**46.8**	**219,168**	**31,341**	**41.0**
Cloud-based UC&C	**117,554**	**20.6**	**116,079**	**20.2**	**162,821**	**23,282**	**30.3**
Other services	**1,098**	**0.2**	**—**	**—**	**5,054**	**723**	**0.9**
Total revenues	**571,024**	**100.0**	**573,566**	**100.0**	**535,709**	**76,605**	**100.0**

(1) Includes cloud-based CC solutions deployed primarily on public cloud, for which we charge a combination of seat subscription fees and related resource usage fees.

Our revenues from CPaaS solutions primarily include usage-based fees for sending text messages and making voice calls. We generally charge our customers on a recurring basis, based on the monthly number of text messages and call minutes facilitated through our CPaaS solutions. We also assist and support mobile network operators in establishing and operating communications service platforms, and recognize revenues pursuant to the revenue sharing arrangements.

Our revenues from cloud-based CC solutions primarily consist of seat subscription fees and related resource usage fees, and to a lesser extent, software license fees and related service fees. We charge customers using our cloud-based CC solutions deployed on public cloud a combination of seat subscription fees and related resource usage fees that are determined according to the capacity and number of functional modules embedded as well as the number of texts and call minutes facilitated through our solutions. In 2023, 2024 and 2025, solutions that we offer on a recurring basis generated 69.7%, 56.0% and 45.6% of our revenues from cloud-based CC solutions, respectively. We generally charge customers using our solutions deployed on private cloud software license fees and related customized service fees that are negotiated on a project basis and recognize revenues in accordance with the agreed-upon project milestones. The delivery cycle of our project-based cloud-based CC solutions typically ranges from three to 12 months.

Our revenues from cloud-based UC&C solutions primarily consist of software license fees and related services fees from individual projects, and to a lesser extent, service fees relating to maintenance and upgrade services. We negotiate these fees with customers on a project basis and charge them in accordance with the agreed-upon project milestones. The delivery cycle of our project-based cloud-based UC&C solutions typically ranges from three to 12 months. Additionally, we also generate revenues from software development and other technical support service fees charged on a project basis.

Our revenues from other services primarily consist of revenues generated from mobile network operator services and cloud-based value-added services.

Cost of revenues

Our cost of revenues primarily consists of (1) costs paid for telecommunications resources, (2) outsourcing costs, (3) infrastructure and equipment costs, and (4) staff costs related to solution delivery. In 2023, 2024 and 2025, our cost of revenues was RMB366.4 million, RMB362.7 million and RMB389.0 million (US$55.6 million), respectively. The following table sets forth the breakdown of our cost of revenues by nature both in absolute amount and as a percentage of total cost of revenues in the years indicated.

	Year Ended December 31,						
	2023		2024		2025		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Costs of telecommunications resources	201,683	55.0	188,470	52.0	125,635	17,966	32.3
Outsourcing costs	49,264	13.5	67,794	18.7	105,749	15,122	27.2
Infrastructure and equipment costs	40,011	10.9	33,909	9.3	72,548	10,374	18.7
Staff costs	68,459	18.7	71,388	19.7	83,741	11,975	21.5
Rentals and others	6,958	1.9	1,156	0.3	1,290	184	0.3
Total cost of revenues	**366,375**	**100.0**	**362,717**	**100.0**	**388,963**	**55,621**	**100.0**

Costs of telecommunications resources represent fees we pay to mobile network operators based on the number of texts and minutes of voice calls we subscribed for. We typically enter into annual contracts with mobile network operators which set forth the unit price for each text message and every minute of voice call. In 2023, 2024 and 2025, costs of telecommunications resources represented the largest portion of our cost of revenues, representing 55.0%, 52.0% and 32.3% of our total cost of revenues, respectively. We also outsource certain parts of the solution delivery and incur outsourcing costs. Infrastructure and equipment costs relate to our use of servers and our purchase of hardware and equipment to support our solutions. Staff costs represent compensation paid to employees who primarily deliver solution customization and perform other services to customers. Rentals and others primarily consist of rental costs related to our leases.

The following table sets forth the breakdown of our cost of revenues by service type both in absolute amount and as a percentage of total cost of revenues in the years indicated.

	Year Ended December 31,						
	2023		2024		2025		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
CPaaS							
Text messaging	128,564	35.1	121,444	33.4	62,163	8,889	16.0
Voice calls	24,026	6.6	32,827	9.1	38,705	5,535	10.0
Jointly-operated CPaaS	262	0.1	—	—	—	—	0.0
IoT	—	—	13,536	4	17,316	2,476	4.5
Others	2,754	0.8	—	—	—	—	0.0
Subtotal	**155,606**	**42.6**	**167,507**	**46.2**	**118,184**	**16,900**	**30.5**
Cloud-based CC							
Recurring(1)	86,109	23.5	65,422	18.0	50,755	7,258	13.0
Project	42,997	11.7	62,265	17.2	85,699	12,255	22.0
Subtotal	**129,106**	**35.2**	**127,687**	**35.2**	**136,454**	**19,513**	**35.0**
Cloud-based UC&C	**80,722**	**22.0**	**67,523**	**18.6**	**128,150**	**18,325**	**32.9**
Other services	**941**	**0.3**	**—**	**—**	**6,175**	**883**	**1.6**
Total cost of revenues	**366,375**	**100.0**	**362,717**	**100.0**	**388,963**	**55,621**	**100.0**

(1) Includes cloud-based CC solutions deployed primarily on public cloud, for which we charge a combination of seat subscription fees and related resource usage fees.

Gross profit

Our gross profit was RMB204.6 million, RMB210.8 million and RMB146.7 million (US$21.0 million) in 2023, 2024 and 2025, respectively. Our overall gross profit margin was 35.8%, 36.8% and 27.4%, respectively. The following table sets forth a breakdown of our gross profit and gross profit margin.

	Year Ended December 31,						
	2023		2024		2025		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
CPaaS	39,805	20.4	21,899	11.6	30,482	4,359	20.5
Cloud-based CC[(1)]	127,855	49.8	140,394	52.4	82,714	11,828	37.7
Cloud-based UC&C	36,832	31.3	48,556	41.8	34,671	4,957	21.3
Other services	157	14.3	—	—	(1,121)	(160)	(22.2)
Total	**204,649**	**35.8**	**210,849**	**36.8**	**146,746**	**20,984**	**27.4**

(1) The gross profit margin for cloud-based CC solutions that we offer on a recurring basis was 51.9%, 56.4% and 49.2% in 2023, 2024 and 2025, respectively.

The gross profit margin of our CPaaS solutions and cloud-based CC solutions that we offer on a recurring basis is primarily affected by the costs of telecommunications resources we paid to mobile network operators, which represented a majority of the costs for these solutions in 2023, 2024 and 2025. See "—Factors Affecting our Results of Operations—Controlling costs and expenses" for details of the impacts.

The gross profit margin of our cloud-based CC solutions on a project basis and cloud-based UC&C solutions is affected primarily by the maturity and complexity of a specific project. See "—Factors Affecting our Results of Operations—Managing development cycle" for details of the impacts.

Operating expenses

The following table sets forth our operating expenses, both in absolute amount and as a percentage of our total operating expenses, for the years indicated.

	Year Ended December 31,						
	2023		2024		2025		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Research and development expenses	222,538	34.7	177,000	38.6	139,081	19,888	35.4
Selling and marketing expenses	227,543	35.5	187,305	40.9	142,265	20,344	36.3
General and administrative expenses	191,113	29.9	93,916	20.5	111,061	15,882	28.4
Total	**641,194**	**100.0**	**458,221**	**100.0**	**392,407**	**56,114**	**100.0**

Research and development expenses

Our research and development expenses were RMB222.5 million, RMB177.0 million and RMB139.1 million (US$19.9 million) in 2023, 2024 and 2025, respectively, primarily representing (1) compensation paid to our research and development staff and (2) technology service expenses paid to outsourcing service providers for the development of certain non-core features and functions in cloud-based UC&C solutions.

Selling and marketing expenses

Our selling and marketing expenses were RMB227.5 million, RMB187.3 million and RMB142.3 million (US$20.3 million) in 2023, 2024 and 2025, respectively, primarily representing (1) compensation paid to our sales and marketing staff, (2) our spending on online advertisement and other online promotional events to reach more customers, and (3) participation and organization of offline events to boost our brand image.

General and administrative expenses

Our general and administrative expenses were RMB191.1 million, RMB93.9 million and RMB111.1 million (US$15.9 million) in 2023, 2024 and 2025, respectively, primarily representing (1) compensation paid to our administrative staff and management team, including share-based compensation expenses, (2) professional services fees, rentals and certain administrative expenses, and (3) provision for doubtful accounts.

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the years indicated, both in absolute amount and as a percentage of our revenues. You should read this information together with our consolidated financial statements and related notes included elsewhere in this annual report. The results of operations in any period are not necessarily indicative of the results that may be expected for any future periods.

	Year Ended December 31,						
	2023		2024		2025		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Revenues	571,024	100.0	573,566	100.0	535,709	76,605	100.0
Cost of revenues	(366,375)	(64.2)	(362,717)	(63.2)	(388,963)	(55,621)	(72.6)
Gross profit	**204,649**	**35.8**	**210,849**	**36.8**	**146,746**	**20,984**	**27.4**
Operating expenses:							
Selling and marketing expenses	(227,543)	(39.8)	(187,305)	(32.7)	(142,265)	(20,344)	(26.6)
General and administrative expenses	(191,113)	(33.5)	(93,916)	(16.4)	(111,061)	(15,882)	(20.7)
Other operating income		—	49,530	8.6	—	—	—
Research and development expenses	(222,538)	(39.0)	(177,000)	(30.9)	(139,081)	(19,888)	(26.0)
Total operating expenses	**(641,194)**	**(112.3)**	**(408,691)**	**(71.3)**	**(392,407)**	**(56,114)**	**(73.3)**
Operating loss	**(436,545)**	**(76.4)**	**(197,842)**	**(34.5)**	**(245,661)**	**(35,130)**	**(45.9)**
Interest income	26,826	4.7	42,151	7.3	10,656	1,524	2.0
Investment income	563	—	11,859	2	10,423	1,490	2
Share of gains (losses) of equity method investments	(1,470)	(0.3)	3	—	(1,638)	(234)	(0.3)
Impairment loss of long-term investments	(8,011)	(1.4)	—	—	(11,145)	(1,594)	(2.1)
Gains (losses) from disposal of subsidiaries, net		—	403	0.1	(1,743)	(249)	(0.3)
Foreign currency exchange gains (losses), net	5,699	1.0	(3,717)	(0.6)	(513)	(73)	(0.1)
Loss before income taxes	**(412,938)**	**(72.3)**	**(147,143)**	**(25.7)**	**(239,621)**	**(34,266)**	**(44.7)**
Income tax benefit	564	0.1	316	0.1	820	117	0.2
Net loss	**(412,374)**	**(72.2)**	**(146,827)**	**(25.6)**	**(238,801)**	**(34,149)**	**(44.6)**

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Revenues

Our revenues decreased by 6.6% from RMB573.6 million in 2024 to RMB535.7 million (US$76.6 million) in 2025, primarily due to the following.

- Revenues from our CPaaS solutions decreased by 21.5% from RMB189.4 million in 2024 to RMB148.7 million (US$21.3 million) in 2025, respectively, primarily due to a 38.8% decrease in revenues generated from our text messaging services from RMB132.2 million in 2024 to RMB80.9 million (US$11.6 million) in 2025, which was primarily due to our strategic adjustment of business, partially offset by a 19.7% increase in revenues generated from our voice calls services from RMB35.7 million in 2024 to RMB42.7 million (US$6.1 million) in 2025, which was primarily due to the increased demands from our customers.

- Revenues from our cloud-based CC solutions decreased by 18.2% from RMB268.1 million in 2024 to RMB219.2 million (US$31.3 million) in 2025. Our recurring revenues decreased by 33.5% from RMB150.2 million in 2024 to RMB99.9 million (US$14.3 million) in 2025, primarily due to the decreased demands from our customers. Our project-based revenues remained relatively stable at RMB117.9 million in 2024 and RMB119.3 million (US$17.1 million) in 2025.

- Revenues from our cloud-based UC&C solutions increased by 40.3% from RMB116.1 million in 2024 to RMB162.8 million (US$23.3 million) in 2025, primarily due to our business development and project delivery.

Cost of revenues

Our cost of revenues increased by 7.2% from RMB362.7 million in 2024 to RMB389.0 million (US$55.6 million) in 2025, primarily due to the following.

- Cost of revenues from our CPaaS solutions decreased by 29.4% from RMB167.5 million in 2024 to RMB118.2 million (US$16.9 million) in 2025, primarily due to (1) a 48.7% decrease in costs related to text messaging from RMB121.1 million in 2024 to RMB62.2 million in 2025 mainly due to the decreased usages of text messages, and (2) a 17.9% increase in costs related to voice call services from RMB32.8 million in 2024 to RMB38.7 million in 2025, which was mainly due to the increased usages of voice calls.

- Cost of revenues from our cloud-based CC solutions increased by 6.9% from RMB127.7 million in 2024 to RMB136.5 million (US$19.5 million) in 2025, primarily due to (1) a 37.6% increase in cost of revenues from our project-based cloud-based CC solutions from RMB62.3 million in 2024 to RMB85.7 million (US$12.3 million) in 2025 mainly due to the increased infrastructure and equipment costs and outsourcing costs for certain projects that we undertook, and (2) a 22.4% decrease in cost of revenues from our subscription-based cloud-based CC solutions from RMB65.4 million in 2024 to RMB50.8 million (US$7.3 million) in 2025 mainly due to as a result of decreased business scale.

- Cost of revenues from our cloud-based UC&C solutions increased by 89.8% from RMB67.5 million in 2024 to RMB128.1 million (US$18.3 million) in 2025, primarily due to the increased business scale and the increased percentage of infrastructure and equipment costs and outsourcing costs for certain projects that we undertook.

Gross profit

As a result of the foregoing, our gross profit decreased by 30.6% from RMB210.8 million in 2024 to RMB146.7 million (US$21.0 million) in 2025. Our gross profit margin decreased from 36.8% in 2024 to 27.4% in 2025, primarily due to (1) a lower proportion of revenues generated from our cloud-based CC solutions, which typically have higher profit margins as compared to CPaaS solutions; and (2) the decreased gross profit margin from our cloud-based UC&C solutions and project-based cloud-based CC solutions.

Operating expenses

- Research and development expenses. Our research and development expenses decreased by 21.4% from RMB177.0 million in 2024 to RMB139.1 million (US$19.9 million) in 2025, primarily due to the decrease in R&D staff expenses resulting from decreases in the headcount of and the compensation level for our R&D personnel.

- Selling and marketing expenses. Our selling and marketing expenses decreased by 24.0% from RMB187.3 million in 2024 to RMB142.3 million (US$20.3 million) in 2025, primarily due to (1) a 23.7% decrease in staff expenses of RMB27.8 million (US$4.0 million), mainly due to decreases in the headcount of and the compensation level for our sales and marketing personnel, (2) a 27.4% decrease in market development and operational expenses of RMB10.7 million (US$1.5 million), mainly due to our expenses control measures, and (3) a 29.6% decrease in share-based compensation expenses of RMB3.3 million (US$0.5 million), mainly due to a decrease in amortized expenses as the options vested.

- General and administrative expenses. Our general and administrative expenses increased by 18.3% from RMB93.9 million in 2024 to RMB111.1 million (US$15.9 million) in 2025, primarily due to (1) a 35.4% increase in staff expenses of RMB19.0 million (US$2.7 million), mainly due to increase in headcount of management personnel, partially offset by a 24.6% decrease in professional service fees of RMB6.7 million (US$1.0 million).

- Other operating income. our operating income decreased by 100% from RMB49.5 million in 2024 to nil in 2025, primarily because we ceased the cooperation with some customers and the advances from the customers will not refund in the future according to the suspension agreements in 2024.

Operating loss

As a result of the foregoing, our operating loss increased by 24.2% from RMB197.8 million in 2024 to RMB245.7 million (US$35.1 million) in 2025.

Other income and expenses

- Interest income. Our interest income decreased by 74.7% from RMB42.2 million in 2024 to RMB10.7 million (US$1.5 million) in 2025, primarily due to the decreases in average deposits and interest rate.

- Investment income. Our investment income decreased by 12.1% from RMB11.9 million in 2024 to RMB10.4 million (US$1.5 million) in 2025, primarily due to the decreased realized gain related to short-term investments.

- Share of losses of equity method investments. We recorded share of gains of equity method investments of RMB3,000 in 2024, and share of losses of equity method investments of RMB1.6 million (US$0.2 million) in 2025, primarily due to the gains (losses) incurred by the equity investees that we invested in.

- Impairment loss of long-term investments. We incurred impairment loss of long-term investments of nil in 2024 and RMB11.1 million (US$1.6 million) in 2025, primarily due to a non-temporary impairment of the long-term investments.

- Gains (losses) from disposal of subsidiaries, net. We recorded gains from disposal of subsidiaries of RMB0.4 million in 2024, and losses from disposal of subsidiaries of RMB1.7 million (US$0.2 million) in 2025, primarily due to the disposal of subsidiaries.

- Foreign currency exchange losses, net. We recorded foreign currency exchange losses of RMB3.7 million in 2024 and RMB0.5 million (US$0.07 million) in 2025, primarily due to fluctuations in exchange rate between U.S. dollars and Renminbi.

Income tax benefit

We recorded income tax benefit of RMB0.3 million and RMB0.8 million (US$0.1 million) in 2024 and 2025, respectively.

Net loss

As a result of the foregoing, our net loss increased by 62.6% from RMB146.8 million in 2024 to RMB238.8 million (US$34.1 million) in 2025.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenues

Our revenues increased by 0.4% from RMB571.0 million in 2023 to RMB573.6 million in 2024, primarily due to the following.

- Revenues from our CPaaS solutions decreased by 3.1% from RMB195.4 million in 2023 to RMB 189.4 million in 2024, primarily due to a 37.6% increase in revenues generated from our voice calls services from RMB26.0 million in 2023 to RMB35.7 million in 2024, which was primarily due to business recovery from the impact of COVID-19 pandemic, partially offset by a significant decrease in revenues generated from our jointly-operated CPaaS services from RMB15.4 million in 2023 to nil in 2024 because we terminated the cooperation with respect to one of the communications service platforms jointly operated with mobile network operators in 2023.

- Revenues from our cloud-based CC solutions increased by 4.3% from RMB257.0 million in 2023 to RMB268.1 million in 2024. Our recurring revenues decreased by 16.1% from RMB179.0 million in 2023 to RMB150.2 million in 2024, primarily due to the decreased demands from our customers. Our project-based revenues increased by 51.3% from RMB77.9 million in 2023 to RMB117.9 million in 2024, primarily due to an increase in the number of projects as a result of our business expansion.

- Revenues from our cloud-based UC&C solutions decreased by 1.3% from RMB117.6 million in 2023 to RMB116.1 million in 2024, primarily due to the decreased demands from our customers.

Cost of revenues

Our cost of revenues decreased by 1.0% from RMB366.4 million in 2023 to RMB362.7 million in 2024, primarily due to the following.

- Cost of revenues from our CPaaS solutions increased by 7.6% from RMB155.6 million in 2023 to RMB167.5 million in 2024, primarily due to the increase of RMB 13.5 million in costs related to IOT, as the Company start selling IOT devices in 2024, while there was only IOT services in 2023.

- Cost of revenues from our cloud-based CC solutions decreased by 1.1% from RMB129.1 million in 2023 to RMB127.7 million in 2024, primarily due to (1) a 44.8% increase in cost of revenues from our project-based cloud-based CC solutions from RMB43.0 million in 2023 to RMB62.3 million in 2024 mainly due to the increased business scale and the increased outsourcing costs for certain projects that we undertook, and (2) a 24.0% decrease in cost of revenues from our subscription-based cloud-based CC solutions from RMB86.1 million in 2023 to RMB65.4 million in 2024 mainly due to the decreased business scale and the decrease in the number of minutes of voice calls that we facilitated through our solutions.

- Cost of revenues from our cloud-based UC&C solutions decreased by 16.4% from RMB80.7 million in 2023 to RMB67.5 million in 2024, primarily due to the decreased business scale.

Gross profit

As a result of the foregoing, our gross profit increased by 3.0% from RMB204.6 million in 2023 to RMB210.8 million in 2024. Our gross profit margin increased from 35.8% in 2023 to 36.8% in 2024, primarily due to primarily due to a greater portion of revenues generated from our cloud-based CC solutions, which typically have higher profit margins as compared to CPaaS solutions.

Operating expenses

- Research and development expenses. Our research and development expenses decreased by 20.5% from RMB222.5 million in 2023 to RMB177.0 million in 2024, primarily due to (1) a 24.5% decrease in the R&D staff expenses of RMB43.7 million (US$6.0 million), mainly due to decreases in the headcount of and the compensation level for our R&D personnel, and (2) a 32.0% decrease in lease expenses of RMB2.7 million, which was in line with the reduced R&D headcount.

- Selling and marketing expenses. Our selling and marketing expenses decreased by 17.7% from RMB227.5 million in 2023 to RMB187.3 million in 2024, primarily due to (1) a 26.2% decrease in staff expenses of RMB41.5 million, mainly due to decreases in the headcount of and the compensation level for our sales and marketing personnel, and (2) a 8.7% decrease in spending on advertising campaigns and marketing activities of RMB3.7 million, mainly due to our expenses control measures..

- General and administrative expenses. Our general and administrative expenses decreased by 50.9% from RMB191.1 million in 2023 to RMB93.9 million in 2024, primarily due to (1) a 61.4% decrease in the service fees paid to third parties of RMB43.1 million, mainly due to the settlement of the Class Action in 2023, (2) a 16.9% decrease in staff expenses of RMB10.9 million, mainly due to decreases in the headcount of and the compensation level for our management and administrative personnel, (3) a 79.4% decrease in share-based compensation expenses of RMB13.5 million, mainly due to a decrease in amortized expenses as the options vested, and (4) a significant decrease in allowance for doubtful accounts of RMB20.3 million.

- Other operating income. We recorded other operating income of RMB49.5 million in 2024, as compared to nil in 2023, primarily because we ceased the cooperation with some customers and the advances from the customers will not refund in the future according to the suspension agreements.

Operating loss

As a result of the foregoing, our operating loss decreased from RMB436.5 million in 2023 to RMB197.8million in 2024.

Other income and expenses

- Interest income. Our interest income increased by 57.1% from RMB26.8 million in 2023 to RMB 42.2 million in 2024, primarily due to an increase in average deposit interest rate and cash and cash equivalent balance denominated in USD.

- Investment income. We recorded investment income of RMB11.9 million in 2024, as compared to RMB0.6 million in 2023, primarily relating to the increased realized gain related to short-term investments.

- Share of gains (losses) of equity method investments. We recorded share of losses of equity method investments of RMB1.5 million in 2023, and share of gains of equity method investments of RMB3,000 in 2024, primarily due to the gains (losses) incurred by an equity investee that we invested in.

- Impairment loss of long-term investments. We incurred impairment loss of long-term investments of nil in 2024, as compared to RMB8.0 million in 2023, primarily due to a non-temporary impairment of the long-term investments in 2023.

- Gains from disposal of subsidiaries, net. We recorded gains from disposal of subsidiaries of RMB0.4 million in 2024, as compared to nil in 2023, primarily due to we had no disposal in 2023.

- Foreign currency exchange gains (losses), net. We recorded foreign currency exchange losses of RMB3.7 million in 2024, as compared to foreign currency exchange gains of RMB5.7 million in 2023, primarily due to fluctuations in exchange rate between U.S. dollars and Renminbi.

Income tax benefit

We incurred income tax benefit of RMB0.6 million and RMB0.3 million in 2023 and 2024, respectively.

Net loss

As a result of the foregoing, our net loss decreased by 64.4% from RMB412.4 million in 2023 to RMB146.8 million in 2024.

B. Liquidity and Capital Resources

In 2023, 2024 and 2025, we incurred net loss of RMB412.4 million, RMB146.8 million and RMB238.8 million (US$34.1 million), and our net cash used in operating activities was RMB516.2 million, RMB180.2 million and RMB231.0 million (US$33.0 million) in the same years, respectively. In 2023, 2024 and 2025, no cash provided by/ (used in) financing activities of nil, nil and nil, respectively. In 2023 and 2024, net cash provided by investing activities was RMB351.3 million and RMB460.2 million, respectively, and in 2025, net cash used in investing activities was RMB80.2 million (US$11.5 million).

Based upon service type and our assessment of customers' credit and ongoing relationships, our payment terms typically range from 60 to 180 days after our customers have been billed. Days sales outstanding, calculated by gross accounts receivable outstanding as of the year end divided by revenues for the year and multiplied by the number of days in such year, were 156 days, 131 days and 158 days for 2023, 2024 and 2025, respectively. Our days sales outstanding decreased from 156 days in 2023 to 131 days in 2024, primarily because we have strengthened the Company's collection management of accounts receivable. Our days sales outstanding increased from 131 days in 2024 to 158 days in 2025, primarily because we extended payment cycles for large customers to maintain stable customer relationship. We will closely monitor our outstanding accounts receivable and follow up with relevant customers on a continuous basis in order to collect overdue balances.

In December 2021, we obtained secured bank loans of RMB5.5 million (US$0.9 million) from the business acquisition of Zhuge, which were secured by the founder of Zhuge. Such bank borrowings were paid off in full in 2022. As of December 31, 2025, we did not have short-term bank borrowings.

As of December 31, 2025, 74.5% of our cash and cash equivalents were held in China, and 55.1% were held by the VIE and denominated in Renminbi. Although we consolidate the results of the affiliated entities, we do not have direct access to the cash and cash equivalents or future earnings of the affiliated entities. However, a portion of the cash balances of the affiliated entities will be paid to us pursuant to our contractual arrangements with the affiliated entities. For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Holding Company Structure."

We believe that our existing cash and cash equivalents and anticipated cash flows from operating and financing activities will be sufficient to meet our anticipated working capital requirements, and capital expenditures in the ordinary course of business for the next 12 months. We may, however, require additional cash resources due to changing business conditions or other future developments, including acquisitions or investments we may decide to selectively pursue. If our existing cash resources are insufficient to meet our requirements, we may seek to issue equity or debt securities or obtain credit facilities. The issue of additional equity securities would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. If we are unable to obtain additional equity or debt financing as required, our business operations and prospects may suffer. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We may need additional capital, and we may be unable to obtain such capital in a timely manner or on acceptable terms, or at all."

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

	Year Ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US$
Net cash used in operating activities	(516,202)	(180,240)	(231,019)	(33,037)
Net cash provided by/(used in) investing activities	351,294	460,228	(80,192)	(11,468)
Net cash used in financing activities	—	—	—	—
Effect of foreign currency exchange rate changes on cash	20,092	(11,922)	12,937	1,851
Net increase/(decrease) in cash and restricted cash	(144,816)	268,066	(298,274)	(42,654)
Cash and restricted cash at the beginning of the year	527,265	382,449	650,515	93,023
Cash and restricted cash at the end of the year	382,449	650,515	352,241	50,369

Operating activities

Net cash used in operating activities was RMB231.0 million (US$33.0 million) in 2025, primarily due to net loss of RMB238.8 million (US$34.1 million), adjusted primarily by (1) noncash items including share-based compensation of RMB13.2 million (US$1.9 million), allowance for doubtful accounts of RMB2.8 million (US$0.4 million), depreciation of property and equipment and amortization of intangible assets of RMB5.1 million (US$0.7 million), amortization of right-of-use asset and interest on lease liabilities of RMB2.0 million (US$0.3 million), impairment loss of long-term investments of RMB11.1 million (US$1.6 million), losses from disposal of subsidiaries of RMB1.7 million (US$0.2 million), partially offset by investment income of RMB10.4 million (US$1.5 million), (2) changes in working capital that negatively affected operating cash flow, including an increase in contract assets of RMB24.6 million (US$3.5 million) primarily due to the increased amounts of unbilled work performed for project-based solutions, an increase in accounts receivable of RMB27.0 million (US$3.9 million) primarily due to slower collection from customers, and a decrease in contract liabilities of RMB6.6 million (US$0.9 million) primarily as a result of the decrease in cash received from customers in advance, and (3) changes in working capital that positively affected operating cash flow, including an increase in accounts payable of RMB34.3 million (US$4.9 million) primarily due to our effective management of payments to equipment providers and outsourcing service providers.

Net cash used in operating activities was RMB180.2 million in 2024, primarily due to net loss of RMB146.8 million, adjusted primarily by (1) non-cash items including share-based compensation of RMB14.3 million, a decrease of allowance for doubtful accounts RMB3.9 million, depreciation of property and equipment and amortization of intangible assets of RMB7.6 million, amortization of right-of-use asset and interest on lease liabilities of RMB8.5 million, investment income of RMB 11.9 million, unrealized foreign exchange losses of RMB3.7 million, (2) changes in working capital that negatively affected operating cash flow, including a decrease in accrued expenses and other current liabilities of RMB22.5 million primarily due to our timely payments to third parties, a decrease in contract liabilities of RMB57.1 million primarily as a result of the decrease in cash received from customers, and an increase in contract assets of RMB13.0 million primarily due to the increased amounts to issue invoices to our project based on customers, and (3) changes in working capital that positively affected operating cash flow, including a decrease in accounts receivable of RMB38.6 million primarily due our strengthened collection management of accounts receivable, and an increase in accounts payable of RMB7.8 million primarily due to our effectively management of payments to mobile network operators for telecommunications resources.

Net cash used in operating activities was RMB516.2 million in 2023, primarily due to net loss of RMB412.4 million, adjusted primarily by (1) non-cash items including share-based compensation of RMB22.2 million, allowance for doubtful accounts RMB16.5 million, depreciation of property and equipment and amortization of intangible assets of RMB8.8 million, impairment loss of long-term investments of RMB8.0 million, (2) changes in working capital that negatively affected operating cash flow, including a decrease in accrued expenses and other current liabilities of RMB118.2 million primarily relating to payment for U.S class action, a decrease in accounts payable of RMB34.4 million primarily due to the increase of payment to mobile network operators for telecommunications resources, and an increase in accounts receivable from third parties, net of RMB28.1 million primarily due to the decrease in customer collections, and (3) changes in working capital that positively affected operating cash flow, including a decrease in contract assets of RMB26.7 million primarily as such amounts were reclassified into accounts receivable following our issuance of invoices.

Investing activities

Net cash used in investing activities was RMB80.2 million (US$11.5 million) in 2025, primarily due to cash paid for term deposits of RMB1,501.8 million (US$214.7 million), cash paid for purchase of short-term investments of RMB434.6 million (US$62.1 million), and cash paid for purchase of long-term investments of RMB12.0 million (US$1.7 million), partially offset by cash received from maturity of term deposits of RMB1,510.2 million (US$216.0 million) and cash received from sale of short-term investments of RMB358.7 million (US$51.3 million).

Net cash provided by investing activities was RMB460.2 million in 2024, primarily due to cash received from maturity of term deposits of RMB1,571.5 million and cash received from sale of short-term investments of RMB357.8 million, partially offset by cash paid for term deposits of RMB1,243.9 million and cash paid for purchase of short-term investments of RMB222.0 million.

Net cash provided by investing activities was RMB351.3 million in 2023, primarily due to cash received from maturity of term deposits of RMB1,308.9 million and cash received from sale of short-term investments of RMB24.7 million, partially offset by cash paid for term deposits of RMB938.5 million and cash paid for purchase of short-term investments of RMB28.2 million.

Financing activities

We did not incur net cash used in or provided by financing activities in 2023, 2024 and 2025, primarily because we possessed sufficient cash and did not engage in any financing activity in those years.

Capital Expenditures

Our capital expenditures are incurred primarily in connection with purchase of property and equipment such as computer, software and office equipment and purchase of intangible assets including software copyrights and telecommunication business licenses. Our capital expenditures were RMB1.8 million, RMB3.2 million and RMB0.8 million (US$0.1 million) in 2023, 2024 and 2025, respectively. We intend to fund our future capital expenditures with our existing cash balance.

Holding Company Structure

We conduct our operations primarily through our subsidiaries and the affiliated entities in China. As a result, our ability to pay dividends depends upon dividends paid by our subsidiaries and fees paid by the affiliated entities. If our subsidiaries or any newly formed subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us.

In addition, our subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with the Accounting Standards for Business Enterprise as promulgated by the MOF, or PRC GAAP. Under PRC law, each of our PRC subsidiaries and the affiliated entities is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory surplus reserve until such reserve reaches 50% of its registered capital. In addition, our subsidiaries in China may allocate a portion of their after-tax profits based on PRC GAAP to enterprise expansion funds as well as staff bonus and welfare funds at its discretion, and the affiliated entities may allocate a portion of their after-tax profits based on PRC GAAP to a discretionary surplus fund at their discretion. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the statutory reserve funds are not distributable as cash dividends.

As an offshore holding company, we are permitted under PRC laws and regulations to provide funding from the proceeds of our offshore fundraising activities to our PRC subsidiaries only through loans or capital contributions, and to the affiliated entities only through loans, in each case subject to the satisfaction of the applicable government registration and approval requirements. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may affect our ability to capitalize or otherwise fund our PRC operations." As a result, there is uncertainty with respect to our ability to provide prompt financial support to our PRC subsidiaries and the affiliated entities in China when needed.

Financial Information Related to the VIE

The following tables present the consolidating schedule of financial information relating to Cloopen Group Holding Limited, or the Parent, consolidated affiliated entities and non-VIE consolidated entities as of and for the years ended December 31, 2023, 2024 and 2025.

Selected consolidated statements of comprehensive loss data

	Year ended December 31, 2023				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Total revenues	—	553,910	45,600	(28,486)	571,024
Cost of revenues	—	(346,257)	(49,906)	29,788	(366,375)
Gross profit	—	207,653	(4,306)	1,302	204,649
Operating expenses	(89,953)	(439,508)	(92,566)	(19,167)	(641,194)
Operating loss	(89,953)	(231,855)	(96,872)	(17,865)	(436,545)
Loss before income taxes	(89,953)	(233,465)	(103,841)	14,321	(412,938)
Net loss	(89,953)	(232,856)	(103,885)	14,320	(412,374)

	Year ended December 31, 2024				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Total revenues	—	563,277	55,685	(45,396)	573,566
Cost of revenues	—	(360,984)	(43,748)	42,015	(362,717)
Gross profit	—	202,293	11,937	(3,381)	210,849
Operating expenses	(32,074)	(222,378)	(103,961)	(50,278)	(408,691)
Operating loss	(32,074)	(20,085)	(92,024)	(53,659)	(197,842)
Loss before income taxes	(32,074)	(33,370)	(89,806)	8,107	(147,143)
Net loss	(32,074)	(33,078)	(89,781)	8,106	(146,827)

	Year ended December 31, 2025				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Total revenues	—	495,463	5,552	34,694	535,709
Cost of revenues	—	(343,066)	(59,609)	13,712	(388,963)
Gross profit	—	152,397	(54,057)	48,406	146,746
Operating expenses	(26,860)	(237,092)	(127,237)	(1,218)	(392,407)
Operating loss	(26,860)	(84,695)	(181,294)	47,188	(245,661)
Loss before income taxes	(26,860)	(83,689)	(131,243)	2,171	(239,621)
Net loss	(26,860)	(82,869)	(131,243)	2,171	(238,801)

Selected consolidated balance sheets data

	As of December 31, 2023				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Total current assets	145,207	509,400	1,142,659	(163,853)	1,633,413
Total non-current assets	1,108,131	213,207	2,264,779	(3,435,442)	150,675
Total assets	1,253,338	722,607	3,407,438	(3,599,295)	1,784,088
Total current liabilities	52,372	2,728,417	22,400	(2,217,187)	586,002
Total non-current liabilities	—	2,799	249	—	3,048
Total liabilities	52,372	2,731,216	22,649	(2,217,187)	589,050
Total shareholders' equity attributable to Cloopen Group Holding Limited	1,200,966	(2,002,681)	3,384,789	(1,382,108)	1,200,966
Non-controlling interests	—	(5,928)	—	—	(5,928)
Total liabilities and shareholders' equity	1,253,338	722,607	3,407,438	(3,599,295)	1,784,088

	As of December 31, 2024				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Total current assets	263,126	421,886	805,866	(55,199)	1,435,679
Total non-current assets	993,075	233,663	2,569,349	(3,653,387)	142,700
Total assets	1,256,201	655,549	3,375,215	(3,708,586)	1,578,379
Total current liabilities	181,624	2,655,390	(120,570)	(2,207,841)	508,603
Total non-current liabilities	—	3,173	2,024	—	5,197
Total liabilities	181,624	2,658,563	(118,546)	(2,207,841)	513,800
Total shareholders' equity attributable to Cloopen Group Holding Limited	1,074,577	(1,993,016)	3,493,761	(1,500,745)	1,074,577
Non-controlling interests	—	(9,998)	—	—	(9,998)
Total liabilities and shareholders' equity	1,256,201	655,549	3,375,215	(3,708,586)	1,578,379

	As of December 31, 2025				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Total current assets	186,497	490,383	627,861	(68,575)	1,236,166
Total non-current assets	765,636	68,053	2,959,800	(3,653,387)	140,102
Total assets	952,133	558,436	3,587,661	(3,721,962)	1,376,268
Total current liabilities	110,750	2,804,831	(58,790)	(2,316,318)	540,473
Total non-current liabilities	—	2,262	1,599	—	3,861
Total liabilities	110,750	2,807,093	(57,191)	(2,316,318)	544,334
Total shareholders' equity attributable to Cloopen Group Holding Limited	841,383	(2,239,208)	3,644,852	(1,405,644)	841,383
Non-controlling interests	—	(9,449)	—	—	(9,449)
Total liabilities and shareholders' equity	952,133	558,436	3,587,661	(3,721,962)	1,376,268

	Year ended December 31, 2023				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Net cash used in operating activities	(133,979)	(184,395)	(197,828)		(516,202)
Net cash used in investing activities	(569,407)	(6,700)	(860,399)	1,787,800	351,294
Net cash provided by financing activities	—	218,926	1,568,874	(1,787,800)	—

	As of December 31, 2024				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Net cash used in operating activities	115,285	46,516	(342,041)	—	(180,240)
Net cash used in investing activities	(486)	(3,216)	35,173	428,757	460,228
Net cash provided by financing activities	—	(4,712)	4,712	—	—

	Year ended December 31, 2025				
	Parent	Consolidated affiliated entities	Non-VIE consolidated entities	Inter-company elimination	Group consolidated
	(RMB in thousands)				
Net cash used in operating activities	(32,515)	(46,311)	(152,193)	—	(231,019)
Net cash used in investing activities	(185,787)	(12,508)	(25,663)	143,766	(80,192)
Net cash provided by financing activities	—	76,333	(76,333)	—	—

Off-Balance Sheet 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.

Commitments

The following table sets forth our contractual obligations as of December 31, 2025.

	Total		Year Ending December 31,		
			2026	2027	2028
	RMB	US$	RMB	RMB	RMB
			(in thousands)		
Purchase commitments*	32,159	4,599	31,871	288	—

* Relates to purchase of software and equipment. The purchase commitments are contracted but not yet reflected in the consolidated financial statements as of December 31, 2025.

Save as disclosed above, we did not have any significant capital or other commitments, long term obligations or guarantees as of December 31, 2025.

C. Research and Development, Patents and Licenses, etc.

See "Item 4. Information on the Company—B. Business Overview—Research and Development" and "Item 4. Information on the Company—B. Business Overview— Intellectual Property."

D. Trend Information

Other than as disclosed in this annual report, we are not aware of any trend, uncertainty, demand, commitment or event for the year of 2025 that are reasonably likely to have a material adverse effect on our revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial condition.

E. Critical Accounting Estimates

We prepared the consolidated financial statements in accordance with U.S. GAAP. When reviewing our financial statements, you should consider our selection of critical accounting policies, our judgments and other uncertainties affecting our applications of those policies and the sensitivity of reported results to changes of such policies, judgments and uncertainties. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements. You should read the following descriptions of critical accounting policies, judgments and estimates in conjunction with our consolidated financial statements and other disclosures included in this annual report.

Revenue recognition

We account for our revenue contracts in accordance with ASC Topic 606, Revenue from Contracts with Customers (ASC 606). According to ASC 606, revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. We determine revenue recognition through the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

We generate substantially all of our revenues from the following services and products:

1) CPaaS, which allows customers to send text messages and place voice calls using our cloud-based platform;

2) Cloud-based CC, with which customers can operate their virtual contact centers and access related value-added services using our cloud-based platform; and

3) Cloud-based UC&C, where we create customized communications software on customers' private clouds to meet their specific needs and deliver the software licenses to customers.

We recognize revenue upon the transfer of control of promised products or services provided to our customers, in the amount of consideration we expect to receive for those products or services (excluding sales taxes collected on behalf of government authorities). Our revenue contracts generally do not include a right of return in relation to the delivered products or services.

The timing of revenue recognition may differ from the timing of invoicing to our customers. We record a contract asset when revenue is recognized prior to invoicing, and a contract liability when payment is received from a customer in advance of revenue recognition. We generally issue invoices based on contract terms, which may be when the services are completed, upon customer acceptance of our deliverables or at preset milestones. Payments are due with standard payment terms which are generally not more than 90 days from invoice issuance.

CPaaS revenues

We account for revenue from customers' usage of text message and voice call services on our CPaaS platform as two separate performance obligations. Our service fees are determined by applying the contractual unit price to the monthly usage volume of text messages sent or minutes of voice calls placed and a contractual monthly fixed charge per subscriber multiplied by the number of subscribers recorded by our CPaaS platform where relevant. The cloud-based services to send text messages and place voice calls are sold separately to customers with observable standalone selling prices.

We also provide services as an agent in provision of CPaaS platforms to customers. We have identified one performance obligation and recognized the revenues, on a monthly basis, at the amount equal to the difference between the amount charged to the customers and the amount charged by telecommunication operators.

The service contracts are generally with a length between three and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide the customer with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant us or customers a unilateral right to terminate the contracts before completion.

Cloud-based CC revenues

Customers subscribe to our basic cloud-based CC services at a fixed monthly fee and pay for other value-added services on a usage basis. We recognize the monthly service fees ratably over the contract period during which we are obligated to grant customers continuous access to those basic cloud-based CC services. Revenue for other value-added services on top of the basic subscription is determined by applying the contractual unit price to the monthly usage volume and recognized when the related services are provided to customers. The basic subscription is sold to customers at the same price with or without the value-added services, so the transaction price is allocated on the basis of observable stand-alone selling prices.

The service contracts are generally with a length between three and 12 months and renewable at the latest fee rates of the renewed contract services on the contract renewal date. The option of renewal does not provide customers with a material right that it otherwise could not obtain without entering into that contract, therefore the renewal option was not recognized as a separate performance obligation in the contract. The service contracts do not grant us or customers a unilateral right to terminate the contracts before completion.

We also offer customized cloud-based CC solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. We have identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized CC license and other highly interdependent and interrelated services, and have accounted for the promise as one combined performance obligation. We apply an iterative process to design, test and implement the software in customers' IT environment and recognizes revenue for this performance obligation over a period of time during which the control of the customized cloud-based CC solution is progressively transferred to the customers. We use an input method to estimate progress, based on the proportion of the labor hours incurred relative to the estimated total labor hours. We also offer standard or non-complex cloud-based CC solutions to customers, and have identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. Our cloud-based CC contracts generally include a standard assurance-type warranty.

Cloud-based UC&C revenues

We offer customized cloud-based UC&C solutions to customers with tailored functionalities and interfacing capabilities suitable to their complicated IT environment. We have identified that the nature of our overall promise to customers as the provision of an appropriately customized and interfaced software solution comprising the customized UC&C license and other highly interdependent and interrelated services, and have accounted for the promise as one combined performance obligation. We apply an iterative process to design, test and implement the software in customers' IT environment and recognize revenue for this performance obligation over a period of time during which the control of the customized UC&C solution is progressively transferred to the customers. We use an input method to estimate progress, based on the proportion of the labor hours incurred relative to the estimated total labor hours. We also offer standard or non-complex cloud-based UC&C solutions to customers, and have identified one performance obligation in the agreement and recognized revenue upon delivery of standard software. Our cloud-based UC&C contracts generally include a standard assurance-type warranty.

Share-based compensation

Share-based awards granted to the founders and employees in the form of restricted shares are measured at the grant date fair value of the awards, and are recognized as compensation expense using the graded-vesting schedules over the requisite service period for each separately vesting portion (or tranche) of the award. We elect to recognize the effect of forfeitures in compensation cost when they occur. To the extent the required vesting conditions are not met resulting in the forfeiture of the share-based awards, previously recognized compensation expense relating to those awards is reversed.

Share-based compensation in relation to the restricted ordinary shares is measured based on the fair value of our ordinary shares at the award grant date, which is estimated using the income approach and equity allocation method. Estimating the fair value of our ordinary shares involves significant assumptions that might not be observable in the market, and a number of complex and subjective variables, discount rate, risk-free interest rate and subjective judgments regarding our projected financial and operating results, our unique business risks, the liquidity of our ordinary shares and our operating history and prospects at the time of the grant. Share-based compensation in relation to the share options is estimated using the binomial option pricing model. The determination of the fair value of share options is affected by the price of our ordinary shares as well as the assumptions regarding a number of complex and subjective variables, including the expected share price volatility, risk-free interest rate, exercise multiple and expected dividend yield. The fair value of these awards was determined by our management with the assistance from a valuation report prepared by an independent valuation firm using our management's estimates and assumptions.

In January 2017, we adopted the 2016 Plan. Under the 2016 Plan, we granted nil, 1,000,000 and nil share options to our directors, officers and employees for 2023, 2024 and 2025, respectively. In January 2021, we adopted the 2021 Plan, under which restricted share units to purchase 11,707,389 Class A ordinary shares have been granted as of the date of this annual report, excluding those repurchased. See "Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plans" for more information in respect of the key terms of the 2016 Plan and the 2021 Plan and the outstanding options granted under such plans as of the date of this annual report. Further, in connection with the acquisition of EliteCRM in March 2021, we issued 2,411,177 Class A ordinary shares in the form of restricted shares as equity awards to certain management members of EliteCRM. In addition, in connection with the acquisition of Zhuge in December 2021, we issued 468,455 Class A ordinary shares in the form of restricted shares as equity awards to certain management members of Zhuge (excluding those repurchased pursuant to performance target adjustments). These restricted shares were issued under a private placement pursuant to an exemption or exclusion from the registration requirements under the Securities Act, subject to certain vesting schedule and forfeiture to the extent any share remains unvested in case of early termination of employment.

The weighted average grant date fair value of the share options granted was nil, US$0.29 and nil for 2023, 2024 and 2025, respectively. The fair values of the options granted are estimated on the dates of grant using the binomial option pricing model with the following assumptions used.

	Year Ended December 31, 2025
Risk-free rate of return[1]	2.50%
Volatility[2]	45.0%
Expected dividend yield[3]	0%
Exercise multiple[4]	2.20
Fair value of underlying ordinary share	US$0.30- US$0.52
Expiration terms[5]	10 years

(1) We estimate risk-free interest rate based on the yield to maturity of U.S. treasury bonds denominated in U.S. dollars for a term consistent with the expected term of our options in effect at the option valuation date.

(2) We estimate expected volatility based on the historical volatility of comparable peer public companies with a time horizon close to the expected term of our options.

(3) Expected dividend yield is zero as we do not anticipate any dividend payments in the foreseeable future.

(4) We estimate the expected exercise multiple as the average ratio of the stock price to the exercise price of when our employees will decide to voluntarily exercise their vested options. As we did not have sufficient information of past employee exercise history, it was estimated by referencing to a widely-accepted academic research publication.

(5) Expiration term is the contract life of the options.

In 2023, 2024 and 2025, we recorded share-based compensation expenses of RMB22.2 million, RMB14.3 million and RMB13.2 million (US$1.9 million) related to our share options, restricted shares, ordinary shares issued to management employees to acquire their equity interests in majority-owned subsidiaries. The following table sets forth the breakdown of our share-based compensation expenses both in absolute amount and as a percentage of total share-based compensation expenses in the years indicated.

	Year Ended December 31,						
	2023		2024		2025		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Cost of revenues	3	-	-	-	-	-	-
Research and development expenses	1,660	7.5	(490)	(3.4)	2,013.0	288.0	15.3
Selling and marketing expenses	3,639	16.4	11,314	79.1	7,969.0	1,140.0	60.4
General and administrative expenses	16,937	76.1	3,481	24.3	3,211.0	459.0	24.3
Total	**22,239**	**100.0**	**14,305**	**100.0**	**13,193.0**	**1,887.0**	**100.0**

Recent Accounting Pronouncements

For detailed discussion on recent accounting pronouncements, see Note 2(ii) to our consolidated financial statements included elsewhere in this annual report.

Taxation

Cayman Islands

We are incorporated in the Cayman Islands. The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution, brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, our Hong Kong subsidiary is subject to Hong Kong Special Administrative Region profits tax at the rate of 16.5% on its taxable income generated from the operations in Hong Kong. Payments of dividends by the Hong Kong subsidiary to the Company is not subject to withholding tax in Hong Kong. A two-tiered profits tax rates regime was introduced in 2018 where the first HK$2.0 million of assessable profits earned by a company will be taxed at half of the current tax rate at 8.25%, whilst the remaining profits will continue to be taxed at 16.5%. There is an anti-fragmentation measure where each group will have to nominate only one company in the group to benefit from the progressive rates. No material provision for Hong Kong profits tax has been made in the financial statements as the subsidiary in Hong Kong has no assessable profits for the years ended December 31, 2023, 2024 and 2025.

Japan

Our Japan subsidiary, Cloopen Japan Co., Ltd., is subject to Japanese corporation tax (including national corporation tax, local enterprise tax and other income-based taxes) on its worldwide income. The statutory effective tax rate is approximately 30% to 34%, depending on the size of the company.

Dividends paid by a Japanese company are generally subject to Japanese withholding tax. If the Japanese company paying dividends is a non-listed company and the payee is a non-resident of Japan, the rate of such withholding tax is 20.42% under Japanese tax law. We enjoy preferential withholding tax rate of 10% under Japan-China tax treaty.

PRC

Our PRC subsidiaries and affiliated entities are subject to the EIT Law and are taxed at the statutory income tax rate of 25%, unless otherwise specified. Certain of the affiliated entities were recognized as HNTEs and were entitled to a preferential enterprise income tax rate of 15%. The HNTE status is subject to annual evaluation and a requirement that relevant entities re-apply for HNTE status every three years.

Our PRC subsidiaries and affiliated entities are subject to value added tax, or VAT. Revenues from providing cloud communication services and communication devices sales are generally subject to VAT at the rate of 6% and 13% since April 1, 2019, or 6% and 16% between May 1, 2018 and April 1, 2019, or 6% and 17% before May 1, 2018, and subsequently paid to PRC tax authorities after netting input VAT on purchases. The excess of output VAT over input VAT is reflected in accrued expenses and other current liabilities, and the excess of input VAT over output VAT is reflected in prepayments and other current assets in the consolidated balance sheets.

The EIT law imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise, or FIE, to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where we are incorporated, does not have such tax treaty with China. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% if the immediate holding company in Hong Kong owns directly at least 25% of the shares of the FIE and could be recognized as a beneficial owner of the dividend from PRC tax perspective. We did not record any dividend withholding tax, as our PRC subsidiaries and affiliated entities have no retained earnings in any of the periods presented.

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose "*de facto* management body" is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law define the location of the "*de facto* management body" as "the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, property, etc., of a non-PRC enterprise is located." Based on a review of surrounding facts and circumstances, we believe that our operations outside the PRC will unlikely be considered a "resident enterprise" for PRC tax purposes. If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the EIT Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or the ADSs holders."

[OMITTED]

C2. ADDITIONAL DISCLOSURES IN THE ANNUAL REPORT OF CLOOPEN FOR THE YEAR ENDED DECEMBER 31, 2025 THAT MEET THE REQUIREMENTS IN PARAGRAPH 32 OF APPENDIX D2 TO THE LISTING RULES

Hedging in relation to foreign currency risks

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered intoany hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited, and we may not be able to adequately hedg eour exposure or at all. In addition, our currency exchange losses may be magnified by relevant exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

Employees

As of December 31, 2025, we had a total of 1,008 employees. The following table sets forth the breakdown of our employees as of December 31, 2025 by function.

Function	Number of Employees	% of Total
Research and development	234	23.2
Sales and marketing	233	23.1
Project execution	430	42.7
General administration	111	11.0
Total	1,008	100

We believe we offer our employees competitive compensation packages and a dynamic work environment that encourages initiative and is based on merit. As a result, we have generally been able to attract and retain qualified personnel and maintain a stable core management team.

We believe that we maintain a good working relationship with our employees, and we have not experienced any major labor disputes. None of our employees is represented by labor unions.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable inquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors and chief executives of the Company had the interests in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which are required 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 such Director and chief executive is taken or deemed to have under such provisions of SFO), or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers:

Name of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company as at the Latest Practicable Date
Mr. ZHANG Feng	Beneficial owner	6,464,200 (L)[(1)]	0.69%
	Beneficiary of a trust	5,000,000 (L)[(2)]	0.53%
Mr. CHEN Zhiyu	Beneficial owner	783,505 (L)	0.08%
Mr. LI Wei	Beneficial owner	4,000 (L)	0.00%

Notes:

(1) The 6,464,200 Shares comprise: (i) 564,200 Shares held by Mr. Zhang Feng, which were vested under the restricted share units granted to him pursuant to the share incentive plan approved and adopted by the Shareholders on January 8, 2016 (the "**2016 Share Incentive Plan**"); and (ii) Mr. Zhang Feng's entitlement to receive up to 5,900,000 Shares pursuant to the exercise of share options ("**2016 Options**") granted to him under the 2016 Share Incentive Plan, subject to the conditions (including vesting conditions) of those 2016 Options.

(2) Represents the Shares held by Vigorous Link Group Limited for Mr. Zhang Feng. Vigorous Link Group Limited is a limited liability company incorporated under the laws of the British Virgin Islands and is wholly owned by a trust which holds Shares for the benefit of certain Directors and senior management of the Group. Pursuant to the relevant trust arrangement, the exercise of the voting rights attached to all the Shares held by Vigorous Link Group Limited is ultimately directed and controlled by the Board.

(L) – Long position

The calculation is based on the total number of 937,510,811 ordinary shares (including 63,538,800 treasury Shares) in issue of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, save as disclosed above, none of the Directors was a director or employee of a company which had an interest or short position 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.

3. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates had an interest in a business, which competes or may compete with the businesses of the Company and any other conflicts of interest which any such person has or may have with the Company which would be required to be disclosed under Rule 8.10 of the Listing Rules if they were treated as controlling shareholders of the Company.

6. DIRECTORS' INTERESTS IN ASSETS

None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of or leased to any member of the Group since December 31, 2025, being the date to which the latest published audited accounts of the Group were made up, and up to the Latest Practicable Date.

7. DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group taken as a whole.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since December 31, 2025, the date to which the latest published audited consolidated accounts of the Group were made up.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular and are or may be material:

(a) a cornerstone investment agreement dated November 22, 2024 entered into among the Company, DFI Development Holdings Limited, UBS Securities Hong Kong Limited, UBS AG Hong Kong Branch, CMB International Capital Limited, China Merchants Securities (HK) Co., Limited, CLSA Limited and China International Capital Corporation Hong Kong Securities Limited, pursuant to which DFI Development Holdings Limited agreed to subscribe for Shares at the offer price of HK$30.21 per Share in the aggregate amount of the Hong Kong dollar equivalent of US$39.06 million;

(b) the underwriting agreement dated November 26, 2024 relating to the offer of 2,577,400 Shares for subscription by the public in Hong Kong at the offer price of HK$30.21 per Share (plus brokerage of 1%, Securities and Futures Commission of Hong Kong transaction levy of 0.0027% and Stock Exchange trading fee of 0.00565% and Accounting and Financial Report Council transaction levy of 0.00015%), entered into by the Company, its Controlling Shareholders, the Joint Sponsors, the Overall Coordinators and the Hong Kong Underwriters (as defined and further described in the Prospectus); and

(c) the placing and subscription agreement entered into between the Company, Odor Nice Limited, China International Capital Corporation Hong Kong Securities Limited and Guotai Junan Securities (Hong Kong) Limited dated July 16, 2025 in relation to the Top-up Subscription, details of which are disclosed in the Company's announcements dated July 16, 2025 and July 25, 2025.

10. QUALIFICATION AND CONSENT OF EXPERTS

The following are the qualifications of the experts who have given opinion or advice, which are contained or referred to in this circular:

Name	**Qualification**
KPMG	Certified Public Accountant
GTG CPA Limited ("**GTG**")	Certified Public Accountant

Each of the experts above has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and references to its name in the form and context in which it appears. The reports from the experts are given for incorporation in this circular.

As at the Latest Practicable Date, none of the experts above have any beneficial shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

None of the experts above has any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired or disposed of or leased since 31 December 2025, being the date to which the latest published audited accounts of the Group were made up, and up to the Latest Practicable Date.

11. DOCUMENTS ON DISPLAY

Copies of the below documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (https://ir.dmall.com/) for a period of 14 days from the date of this circular (both days inclusive):

(a) the Dmall Equity Commitment Letter;

(b) the Dmall Limited Guarantee;

(c) the Interim Investors Agreement;

(d) the reconciliation statement on the consolidated statement of profit or loss and other comprehensive income or loss and the consolidated statement of financial position of the Cloopen Group for each of the three years ended December 31, 2023, 2024 and 2025 prepared by GTG as set out in Appendix IIIA to this circular;

(e) the report on the unaudited pro forma financial information of the Group following the Transaction prepared by KPMG as set out in Appendix IIIB to this circular;

(f) the letter of consent from GTG referred to in the above paragraph headed "Qualification and Consent of Experts" of this appendix;

(g) the letter of consent from KPMG referred to in the above paragraph headed "Qualification and Consent of Experts" of this appendix; and

(h) this circular.

12. GENERAL

(a) The address of the registered office of the Company is the offices of Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, VG 1110, British Virgin Islands.

(b) The address of the principal place of business in Hong Kong of the Company is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

(c) The Company's Hong Kong share registrar is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(d) The joint company secretaries of the Company are Ms. Wang Yi and Ms. Au Wing Sze. Ms. Au is an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.