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ZERO2IPO HOLDINGS INC.

清科創業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1945)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Zero2IPO Holdings Inc. (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) is pleased to announce the audited consolidated annual results of the Group for the year ended December 31, 2022 (the “**Reporting Period**”), together with the comparative figures for the year ended December 31, 2021 are as follows. The consolidated financial statements for the year ended December 31, 2022 have been audited by PricewaterhouseCoopers, the independent auditor of the Company (the “**Auditor**”) in accordance with Hong Kong Standards on Auditing. The results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

In this announcement, “we”, “us”, “our” and “Zero2IPO” refer to the Company and where the context otherwise requires, the Group.

FINANCIAL HIGHLIGHTS OF ANNUAL RESULTS

	For the Year Ended December 31,		Change
	2022	2021	
	RMB’000	RMB’000	
Revenue	220,632	207,893	6.1%
Profit before income tax	23,696	18,054	31.3%
Profit for the year	19,632	11,467	71.2%

* For identification purpose only.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31, 2022

		Year ended December 31,	
		2022	2021
	Note	RMB'000	RMB'000
Revenue from contracts with customers	4	220,632	207,893
Cost of revenue	5	<u>(123,644)</u>	<u>(108,772)</u>
Gross profit		96,988	99,121
Selling and marketing expenses	5	(15,964)	(17,966)
General and administrative expenses	5	(41,565)	(56,008)
Research and development expenses	5	(20,284)	(17,181)
Net impairment losses on financial and contract assets		(7,852)	(4,212)
Other income		9,368	8,459
Other (losses)/gain – net		<u>(1,641)</u>	<u>5,733</u>
Operating profit		19,050	17,946
Finance income		5,479	703
Finance costs		<u>(1,006)</u>	<u>(1,090)</u>
Finance income/(costs) – net		4,473	(387)
Share of net profit of associates accounted for using the equity method		<u>173</u>	<u>495</u>
Profit before income tax		23,696	18,054
Income tax expense	6	<u>(4,064)</u>	<u>(6,587)</u>
Profit for the year		<u>19,632</u>	<u>11,467</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
for the year ended December 31, 2022

		Year ended December 31,	
		2022	2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to:			
Owners of the Company		20,353	11,467
Non-controlling interests		(721)	-
		<u>20,353</u>	<u>11,467</u>
Other comprehensive income/(loss), net of tax			
Items that will not be reclassified to profit or loss:			
– Currency translation differences		34,085	(8,328)
		<u>34,085</u>	<u>(8,328)</u>
Total comprehensive income for the year		<u>53,717</u>	<u>3,139</u>
Total comprehensive income/(loss) attributable to:			
Owners of the Company		54,438	3,139
Non-controlling interests		(721)	-
		<u>54,438</u>	<u>3,139</u>
Earnings per share for profit attributable to owners of the Company			
Basic and diluted (RMB per share)	7	<u>0.07</u>	<u>0.04</u>

CONSOLIDATED BALANCE SHEET

as at December 31, 2022

		As at December 31,	
		2022	2021
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		54,085	23,221
Intangible assets		3,352	3,441
Investments accounted for using the equity method		2,323	2,150
Deferred income tax assets		10,072	6,490
Financial assets measured at fair value through profit or loss	9	30,973	-
Other receivables		6,398	4,789
Total non-current assets		107,203	40,091
Current assets			
Other receivables		2,991	2,627
Accounts receivable	10	54,964	40,926
Contract assets		12,441	-
Prepayments and other current assets		15,769	11,737
Financial assets measured at fair value through profit or loss	9	115,127	122,563
Cash held on behalf of customers		7,454	-
Short-term bank deposits		304,078	-
Cash and cash equivalents		142,281	427,861
Total current assets		655,105	605,714
Total assets		762,308	645,805

CONSOLIDATED BALANCE SHEET (CONTINUED)*as at December 31, 2022*

		As at December 31,	
		2022	2021
	Note	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income		10,451	10,839
Lease liabilities		32,175	2,349
Deferred income tax liabilities		1	51
		<u> </u>	<u> </u>
Total non-current liabilities		42,627	13,239
		<u> </u>	<u> </u>
Current liabilities			
Accounts payable	11	6,369	1,353
Other payables		24,150	22,955
Income tax payable		11,710	7,607
Contract liabilities		102,196	73,797
Lease liabilities		14,360	11,715
Customer brokerage deposits		7,454	-
Other current liabilities		4,580	4,428
		<u> </u>	<u> </u>
Total current liabilities		170,819	121,855
		<u> </u>	<u> </u>
Total liabilities		213,446	135,094
		<u> </u>	<u> </u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		201	206
Share premium		418,332	435,952
Other reserves		74,965	34,331
Retained earnings		55,635	40,222
		<u> </u>	<u> </u>
		549,133	510,711
Non-controlling interests		<u>(271)</u>	-
		<u> </u>	<u> </u>
Total equity		548,862	510,711
		<u> </u>	<u> </u>
Total equity and liabilities		762,308	645,805
		<u> </u>	<u> </u>

NOTES:

1 General information and significant events

1.1 General information

Zero2IPO Holdings Inc. (the “**Company**”) was incorporated in the Cayman Islands on August 1, 2019, as an exempted company with limited liability under the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company is an investment holding company.

The Company and its subsidiaries (together referred as to the “**Group**”) are principally engaged in providing integrated equity investment service, namely data services, marketing services, investment banking services and training services (collectively, the “**Business**”) in the People’s Republic of China (the “**PRC**”).

Mr. Ni Zhengdong (倪正東) is the controlling shareholder of the Group.

1.2 Significant events in the current reporting period

(a) Investment in TechStar Acquisition Corporation (“**TechStar**”)

Zero2IPO Capital Limited (“**Zero2IPO Capital**”), a wholly owned subsidiary of the Company, became one of the promoters of TechStar in 2022. TechStar is a special purpose acquisition company (“**SPAC**”) incorporated in the Cayman Islands with limited liability. In accordance with Chapter 18B of the Listing Rules, TechStar is established solely for the purpose of effecting a business combination with one or more businesses (the “**De-SPAC Transaction**”).

On June 15, 2022, Zero2IPO Capital indirectly subscribed 3,750,000 Class B ordinary shares of TechStar (“**Class B Share(s)**”) at a price of HKD0.0001 per Class B Shares for a total cash consideration of HKD375 (equivalent to RMB335 approximately). Zero2IPO Capital held 15% of the Class B Shares of TechStar and had one director to its board of directors. The management concludes the Group has significant influence over TechStar and elects to measure the investment in the Class B Shares at fair value through profit or loss in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) 9 “Financial Instrument”.

On December 23, 2022, TechStar was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**SEHK**”) with approval from the SEHK. On the same date, Zero2IPO Capital subscribed 6,000,000 promoter warrants (“**Promoter Warrant(s)**”) issued by TechStar at a price of HKD1.00 per Promoter Warrant in a total cash consideration of HKD6,000,000 (equivalent to RMB5,360,000 approximately). Each Promoter Warrant is exercisable for one Class A Share at an exercise price of HKD11.50 on a cashless basis, subject to adjustment as set out in the Promoter Warrant agreement. Zero2IPO Capital was also granted with a conversion right of the Class B Shares upon the completion of TechStar’s listing, and the Class B Shares would become convertible into Class A Shares of TechStar concurrently with or following the completion of a De-SPAC Transaction. Class B Shares and Promoter Warrants held by the Group are not listed or traded on the SEHK.

1 General information and significant events

1.2 Significant events in the current reporting period

(a) Investment in TechStar Acquisition Corporation (“TechStar”)

The management determined that the conversion right of Class B Shares and the Promoter Warrants were issued to the promoter in return for the various activities and services performed by the promoters, including the successful identification of a target and consummation of a De-SPAC Transaction. Therefore, such arrangement also falls into the scope of HKFRS 15 “Revenue from contract with customers”, with the fair value of the conversion right of Class B Shares and the Promoter Warrants on TechStar’s listing date being the non-cash consideration received in exchange for the aforementioned services to be performed by Zero2IPO Capital. Accordingly, on December 23, 2022, amount of HKD26,449,500 (equivalent to RMB23,627,000 approximately), being the fair value of the conversion right of Class B Shares and amount of HKD2,126,400 (equivalent to RMB1,899,000 approximately), being the net fair value of the Promoter Warrants (net with the cash consideration being paid) were credited as contract liabilities.

(b) Repurchase of ordinary shares

During the year ended December 31, 2022, the Company repurchased a total of 6,132,800 ordinary shares at an aggregate consideration of approximately HKD18,649,000 (equivalent to RMB16,016,000) on the SEHK. Together with the shares repurchased but not cancelled during 2021, in total 6,484,400 ordinary shares had been cancelled during the year ended December 31, 2022. As at December 31, 2022, there were 778,800 shares repurchased but not cancelled. The share repurchase and cancellation have been pre-approved by shareholders of the Company.

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with principal accounting policies as set out below which are in accordance with HKFRSs issued by Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

The consolidated financial statements has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss (“FVPL”).

2 Basis of preparation

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before intended use – Amendments to HKAS 16;
- Reference to the Conceptual Framework – Amendments to HKFRS 3;
- Onerous Contracts – Cost of Fulfilling a Contract Amendments to HKAS 37;
- Annual Improvements to HKFRS Standards 2018–2020;
- Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations (AG 5).

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards, amendments not yet adopted

Certain new standards, amendments to standards and interpretations have been published that are not mandatory for the year ended December 31, 2022 and have not been early adopted by the Group. These are not expected to have a significant effect on the consolidated financial information of the Group in the current or future reporting periods and on foreseeable future transactions.

3 Segment information

The Group's business activities are mainly in data services, marketing services, investment banking services and training services and are regularly reviewed and evaluated by the chief operating decision maker ("CODM"). As a result of this evaluation, the Group is organised into four reportable segments according to the revenue streams of the Group, and the revenue streams of the Group are data services, marketing services, investment banking services and training services.

The CODM assesses the performance of the operating segments based on the gross profit. The reconciliation of gross profit to profit before income tax is shown in the consolidated statements of comprehensive income. There were no separate segment assets and segment liabilities information provide to the CODM, as the CODM does not use this information to allocate resources or to evaluate the performance of the operating segments.

3 Segment information

The segment results for the years ended December 31, 2022 and 2021 are as follows:

	Data services <i>RMB'000</i>	Marketing services <i>RMB'000</i>	Investment banking services <i>RMB'000</i>	Training services <i>RMB'000</i>	Total <i>RMB'000</i>
2022					
Revenue	62,250	74,259	51,967	32,156	220,632
Cost of revenue	<u>(27,572)</u>	<u>(26,537)</u>	<u>(42,760)</u>	<u>(26,775)</u>	<u>(123,644)</u>
Gross profit	<u>34,678</u>	<u>47,722</u>	<u>9,207</u>	<u>5,381</u>	<u>96,988</u>
2021					
Revenue	55,301	83,363	28,081	41,148	207,893
Cost of revenue	<u>(27,538)</u>	<u>(32,605)</u>	<u>(18,454)</u>	<u>(30,175)</u>	<u>(108,772)</u>
Gross profit	<u>27,763</u>	<u>50,758</u>	<u>9,627</u>	<u>10,973</u>	<u>99,121</u>

4 Revenue from contracts with customers

An analysis of the Group's revenue by category for the years ended December 31, 2022 and 2021 was as follows:

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers		
<i>Recognised over time</i>		
Data services	23,783	22,801
Marketing services	74,259	83,363
Investment banking services	19,279	2,434
Training services	24,399	30,345
<i>Recognised at a point in time</i>		
Data services	38,467	32,500
Investment banking services	32,688	25,647
Training services	<u>7,757</u>	<u>10,803</u>
Total	<u>220,632</u>	<u>207,893</u>

5 Expenses by nature

The details of cost of revenue, selling and marketing expenses, general and administrative expenses and research and development expenses are as follows:

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expense (including share-based compensation expenses)	119,585	126,791
Offline event costs	21,626	25,809
Professional service fee	20,836	13,331
Depreciation and amortisation	17,389	12,462
Advertisement expenses	5,653	4,758
Travel expenses	4,491	4,632
Office expenses	3,523	3,215
Utilities and property management fee	2,672	1,766
Auditor's remuneration	2,400	2,400
Others	3,282	4,763
Total	201,457	199,927

6 Income tax expenses

Income tax expenses in the consolidated statement of comprehensive income represents:

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
Current tax on profits for the year	7,696	4,714
Deferred income tax		
Changes in deferred tax assets/liabilities	(3,632)	1,873
Income tax expense	4,064	6,587

7 Earnings per share

(a) *Basic*

The basic earnings per share is calculated based on the profit attributable to equity holders of the Company for the year ended December 31, 2022 and 2021 divided by the weighted average number of ordinary shares in issued during the year.

	Year ended December 31,	
	2022	2021
Profit attributable to owners of the Company (RMB'000)	20,353	11,467
Weighted average number of ordinary shares in issue (thousand)	311,047	308,612
Basic earnings per share (RMB per share)	0.07	0.04

The issuance of shares upon exercise of the over-allotment option on January 20, 2021, the new shares of the Company issued on August 16, 2021 and September 16, 2021 pursuant to the Post-IPO RSU Scheme, and the repurchase of shares for the year ended December 31, 2021 and 2022 were accounted at time portion basis.

(b) *Diluted*

For the years ended December 31, 2022 and 2021, there were no dilutive potential ordinary shares on the Company outstanding. Therefore, there was no dilution impact on weighted average number of shares on the Company.

8 Dividends

No dividend has been paid or declared by the Company during the year ended December 31, 2022 (2021: nil).

9 Financial instruments by category

The Group holds the following financial instruments:

		As at December 31,	
	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Financial assets			
Financial assets at amortised cost	(a)		
– Accounts receivable	10	54,964	40,926
– Other receivables		9,389	7,338
– Cash held on behalf of customers		7,454	–
– Short-term bank deposits		304,078	–
– Cash and cash equivalents		142,281	427,861
Financial assets at FVPL			
– Investment in wealth management products (“WMPs”)	(b)	115,127	122,563
– Investment in TechStar Class B Share and Promoter Warrant	1.2(a)	30,973	–
		<u>664,266</u>	<u>598,688</u>
Financial liabilities			
Financial liabilities at amortised cost	(a)		
– Accounts payable	11	(6,369)	(1,353)
– Other payables (excluding employee benefits payables and other tax payables)		(3,655)	(2,457)
– Lease liabilities		(46,535)	(14,064)
– Customer brokerage deposits		(7,454)	–
		<u>64,013</u>	<u>(17,874)</u>

(a) As at December 31, 2022 and 2021, the fair values of the financial assets and financial liabilities at amortised cost approximated their respective carrying amounts.

(b) The WMPs were not principal guaranteed, and were therefore classified as financial assets as FVPL.

10 Accounts receivable

An aging analysis of the gross accounts receivable as at December 31, 2022 and 2021 based on date of recognition, is as follows:

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 3 months	35,211	30,718
3 months to 12 months	14,567	10,866
12 months to 18 months	12,251	1,353
18 months to 24 months	1,726	196
Over 24 months	898	378
	<hr/>	<hr/>
Gross carrying amount	64,653	43,511
	<hr/>	<hr/>
Less: impairment provision	(9,689)	(2,585)
	<hr/>	<hr/>
Total accounts receivable	54,964	40,926
	<hr/>	<hr/>

11 Accounts payable

Aging analysis of the accounts payables as at December 31, 2022 and 2021 based on the date of recognition are as follows:

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 6 months	5,840	253
6 months to 1 year	29	1,100
1 to 2 years	500	-
	<hr/>	<hr/>
	6,369	1,353
	<hr/>	<hr/>

BUSINESS OVERVIEW AND OUTLOOK

Overview

We are an integrated service platform for equity investment industry, which provides data, marketing, investment banking and training services to participants in the equity investment industry. We offer a broad range of services through both online and offline channels for all participants in the equity investment industry, including investors, entrepreneurs, growth enterprises and government agencies.

In 2022, the COVID-19 pandemic continued to spread around the world, which brought challenges to our business. We postponed our offline industry events and offline course provision in response to the measures taken by local governments to contain the spread of COVID-19, but our comprehensive and versatile business model has enabled us to ride out the pandemic smoothly and achieve growth against the trend during the pandemic.

We adjusted the strategic layout of the Group in a timely manner during the COVID-19 pandemic in mainland China, while focusing on Hong Kong where pandemic control measures were gradually mitigated in 2022. Zero2IPO Capital Limited, our subsidiary in Hong Kong, acted as a joint sponsor for the listing of TechStar Acquisition Corporation (“**TechStar**”). TechStar is a special purpose acquisition company established for the purpose of effecting a business combination with one or more businesses (the “**De-SPAC Transaction**”) and was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on December 23, 2022. TechStar focuses on identifying high-growth targets of the De-SPAC Transaction in the “new economy” sector in China, including but not limited to innovate technology, advanced manufacturing, healthcare, life sciences, culture and entertainment, consumer and e-commerce, green energy and climate actions industries that align with the national economic trends and industrial policies. The Board believes that our business in Hong Kong will become another driver of growth to start a new chapter of development for the Group.

Meanwhile, we constantly improve and upgrade our existing business, aiming to provide one-stop service for all participants in equity investment market throughout their development stages. We are further upgrading PEDATA MAX to introduce AI-generated content (AIGC) into our existing products and create a new AI database with artificial intelligence technology, helping enterprises inquire various necessary industry data simply and rapidly via PEDATA MAX.

- **Data Services.** We enable convenient and easy-to-navigate access to industry data and informed decision-making through our PEdata Database and research report services, leveraging our extensive data resources as well as our robust data collection, analytics and research capabilities. Our PEDATA MAX, an upgraded SaaS-based version of our PEdata Database, integrates multi-dimensional data of China’s equity investment industry and provides timely, accurate and

comprehensive professional data services for investors, entrepreneurs, growth enterprises and government agencies. As of December 31, 2022, our proprietary PEdata Database and PEDATA MAX had a total of over 322,000 registered users, among which the number of registered users of PEDATA MAX increased by over 300% year-over-year. We also compile customized reports to address our customers' specific information needs and support their strategic decision-making process, as well as provide periodic standardized research reports enabling industry participants to track, understand and analyze China's equity investment industry. In 2022, the revenue generated from customized reports increased by approximately 20% year-over-year.

- **Marketing Services.** We offer omni-channel marketing services through our online information platforms such as PEdaily and offline industry events, which also track industry trends and facilitate intra- and inter-industry networking. Our online information platforms offer high-quality content focused on China's equity investment industry. As of December 31, 2022, our online information platforms have accumulated approximately 3.0 million subscribers across our mobile applications, websites and major third-party platforms including WeChat, Weibo, Toutiao, NetEase, Sohu, Baidu, Snowball and Tencent. The number of views of PEdaily through third-party platforms grew significantly in 2022, representing an over 30.0% increase compared with those in 2021. Our PEdaily has served a diversified customer base with its online advertising services, including an increasing number of renowned enterprises, which contributed to our business growth. We organize offline industry events, including Zero2IPO events and customized events, offering industry participants the opportunities to interact and socialize face-to-face.
- **Investment Banking Services.** We not only connect early-stage entrepreneurs and growth enterprises with investors through our online investor-entrepreneur matching platform Deal-Market, but also assist them at their growth or later stages. With our dedicated offline services, we enable early-stage entrepreneurs and growth enterprises to capture business and financing opportunities, investors to identify appropriate investment targets, and government agencies to formulate targeted local economic development strategies. Moreover, we provide entrepreneurs and growth enterprises with advisory services in private placements and mergers and acquisitions, and securities sponsorship and underwriting services for them to access public equity markets. We also offer trading, investment consulting and asset management services to investors. To that end, we have assembled a boutique investment banking team well-versed in the industry, committed to bridging together Chinese enterprises with overseas capital markets. Our Zero2IPO Securities mobile application, a secondary market trading platform focusing on Hong Kong stock market, provides investors with a full range of trading services, including real-time quotes, online trading, IPO subscription, equity capital market information and financial information. Our wholly-owned subsidiary, Zero2IPO Capital Limited, became one of the promoters of TechStar, and also acted as a joint sponsor for the listing of TechStar on the Main Board of the Stock Exchange.

- **Training Services.** We offer a variety of equity investment-related online and offline training courses primarily through SandHill University, SandHill College and Investment College, targeting at a wide variety of audience including investment professionals, entrepreneurs, government officials, and college students seeking a career in the equity investment industry. We also provide customized training services targeting institutional customers, especially government agencies and large enterprises. Specifically, we provide a series of industry-specific courses, including primarily Master courses with prominent industry investors as mentors and equity investment strategy courses, in addition to our regular course offerings at SandHill College. Our online and offline training services have provided new entrants and experienced professionals with foundational knowledge of and perceptive insights into China’s equity investment industry.

Outlook

Since its inception, Zero2IPO has always focused on innovation and development, aiming to unceasingly empower its core business based on big data. In recent years, the upgrade of PEDATA MAX, the layout of Hong Kong investment banking business, and overseas development plan embody our continuous exploration and pursuit for new drivers of growth.

As a comprehensive platform for the equity investment service industry, our existing business has formed a unique ecomodel to fully cover every aspect of venture capital and entrepreneurship. Looking forward, we will continue to optimize business operation and cost management, reinforce the relationship with customers, and provide stable support for innovation, upgrade and strategic layout of the Group. We believe that, along with the lift of pandemic-control measures, more favorable policies will be rolled out by national and local governments in 2023. As a service provider in equity investment industry, we will take advantage of the trend and maintain a steady yet progressive development, in an effort to build a smarter and more complete ecosystem of equity investment services.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue increased by 6.1% from RMB207.9 million in 2021 to RMB220.6 million in 2022, mainly contributed by (1) the increase in revenue generated from data services driven by our efforts to expand our PEDATA MAX and customized report services, and (2) the increase in revenue generated from investment banking services, which was in turn primarily due to the growth of (i) our comprehensive portfolio of services to local government agencies and (ii) our securities sponsorship and underwriting services in Hong Kong.

Cost of revenue

Our cost of revenue increased by 13.6% from RMB108.8 million in 2021 to RMB123.6 million in 2022, primarily due to the increase in employee benefit expenses as a result of the increased headcount of our staff in relation to investment banking services with relatively high average salary to further accommodate our business growth and expansion.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by 2.1% from RMB99.1 million in 2021 to RMB97.0 million in 2022. Our gross profit margin decreased from 47.7% in 2021 to 44.0% in 2022, primarily due to the negative gross profit of our securities sponsorship and underwriting services launched in the second half of 2021 as we incurred substantial costs to support its early-stage development, despite the increased revenue contribution from our investment banking services.

Data services

Our gross profit for data services increased by 24.8% from RMB27.8 million in 2021 to RMB34.7 million in 2022. Our gross profit margin for data services increased from 50.3% in 2021 to 55.7% in 2022, primarily due to the increase in revenue as a result of the expanded offering of our PEDATA MAX and customized report services in 2022 while the relevant cost of revenue, which mainly included employee benefit expenses, remained stable.

Marketing services

Our gross profit for marketing services decreased by 6.1% from RMB50.8 million in 2021 to RMB47.7 million in 2022, primarily due to the decrease in revenue generated from marketing services as certain customized events were postponed or cancelled due to the recurrence of COVID-19. Our gross profit margin for marketing services increased from 60.9% in 2021 to 64.2% in 2022, primarily due to our efficient cost management in 2022.

Investment banking services

Our gross profit for investment banking services decreased by 4.2% from RMB9.6 million in 2021 to RMB9.2 million in 2022. Our gross profit margin for investment banking services decreased from 34.2% in 2021 to 17.7% in 2022, primarily due to the negative gross profit of our securities sponsorship and underwriting services launched in the second half of 2021, as we incurred substantial costs to support its early-stage development.

Training services

Our gross profit for training services decreased by 50.9% from RMB11.0 million in 2021 to RMB5.4 million in 2022. Our gross profit margin for training services decreased from 26.8% in 2021 to 16.8% in 2022, primarily because revenue generated from training services decreased as a result of postponed course delivery and revenue recognition of SandHill College caused by the recurrence of COVID-19 in 2022.

Selling and marketing expenses

Our selling and marketing expenses decreased by 11.1% from RMB18.0 million in 2021 to RMB16.0 million in 2022, primarily due to reduced selling and marketing activities as a result of the restrictions amid the COVID-19 outbreak.

General and administrative expenses

Our general and administrative expenses decreased by 25.7% from RMB56.0 million in 2021 to RMB41.6 million in 2022, primarily due to the incurrence of share-based compensation expenses in 2021 to incentivize our management and general administration team.

Research and development expenses

Our research and development expenses increased by 18.0% from RMB17.2 million in 2021 to RMB20.3 million in 2022, primarily due to the increase in employee benefit expenses as a result of increased headcount of research and development personnel.

Finance income/(cost), net

We recorded net finance income in the amount of RMB4.5 million in 2022, as compared to net finance cost in the amount of RMB0.4 million in 2021, primarily due to the increase in interest income earned on our bank deposits.

Income tax expense

Our income tax expense decreased by 37.9% from RMB6.6 million in 2021 to RMB4.1 million in 2022, primarily due to the preferential tax rates enjoyed by certain of our subsidiaries, partially offset by the increase in current income tax which is in line with our increased profit before income tax.

Profit for the year

As a result of the foregoing, our net profit increased by 70.4% from RMB11.5 million in 2021 to RMB19.6 million in 2022. Our net margin increased from 5.5% in 2021 to 8.9% in 2022.

Liquidity and Capital Resources

We financed our capital expenditures and working capital requirements principally with cash generated from our operations. Our liquidity and capital resources remained solid as of December 31, 2022, with cash and cash equivalents and short-term bank deposits of approximately RMB446.4 million in multiple currencies. Our working capital, calculated by current assets less current liabilities, remained relatively stable at RMB483.9 million and RMB484.3 million as of December 31, 2021 and 2022, respectively.

We actively and regularly review and manage our capital structure to maintain a balance between shareholder return and solid capital position. Our management will continue to make adjustments, when necessary, to maintain a stable capital structure and to reduce the cost of capital and manage liquidity risk.

Exposure to Exchange Rate Fluctuation

Our operations are mainly carried out in mainland China and Hong Kong, with most transactions settled in Renminbi and Hong Kong dollars. Our cash and cash equivalents and short-term bank deposits were denominated in Renminbi, Hong Kong dollars and U.S. dollars. Our reporting currency is Renminbi. Any significant exchange rate fluctuations of foreign currencies against Renminbi may have an impact on our financial position and performance.

We did not enter into any hedging transaction or forward contract arrangement to hedge our foreign exchange exposure in 2022. We manage our foreign exchange risk by closely monitoring the movement of the foreign currency rates. Our management will continue to closely monitor our capital and operational needs and manage foreign exchange risks accordingly.

Capital Commitments

As of December 31, 2022, we had a capital investment commitment to an investee amounting to RMB1.8 million.

Contingent Liabilities

As of December 31, 2022, we did not have any material contingent liability, guarantee or any litigation or claim of material importance, pending or threatened against any member of our Group.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the prospectus of the Company dated December 16, 2020 (the “**Prospectus**”) and this announcement, we did not have other substantial future plans for material investments and capital assets.

Significant Investments, Material Acquisitions and Disposals

During the Reporting Period, we did not hold any significant investments, except (1) our investment in TechStar as disclosed in note 1.2 to the consolidated financial statements in this announcement, and (2) the wealth management products we invested in to preserve the time value of our cash reserves. As of December 31, 2022, none of the aforementioned wealth management products that subscribed with the same financial institution had an aggregate value of 5% or more of the total assets of the Group.

During the Reporting Period, we did not make any material acquisitions or disposals of subsidiaries or affiliated companies.

Charge on Group’s Assets

As of December 31, 2022, we had no charges on our assets.

Borrowings

As of December 31, 2022, we did not have any outstanding bank loans or other borrowings.

Gearing Ratio

As of December 31, 2022, our gearing ratio, calculated as total liabilities divided by total assets, was 28.0%.

Key Financial and Business Performance Indicators

The key financial and business performance indicators comprise profitability growth and return on equity. Details of our profitability growth are shown in the paragraph headed “Profit for the year” in this announcement. Our return on equity increased from 2.4% for 2021 to 3.7% for 2022, primarily due to the increase in our profit while our equity remained relatively stable.

OTHER INFORMATION

Employees

The Group had approximately 338 employees as of December 31, 2022, as compared to approximately 327 employees as of December 31, 2021. For the year ended December 31, 2022, the Group incurred a total staff costs (including Directors’ emoluments) of RMB119.7 million. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

Remuneration of the Group’s employees includes salaries, performance-based cash bonuses and other incentives. As required under applicable laws and regulations, the Group makes contributions to social insurance fund, including pension, medical, unemployment, maternity and work-related injury, and to housing provident fund for the Group’s employees. The Group has adopted a training protocol, pursuant to which the Group provides pre-employment and regular continuing management and technical training to the Group’s employees.

We recognize the importance of keeping the Directors updated with the latest information of duties and obligations of a director of a company whose shares are listed on the Stock Exchange and the general regulatory and environmental requirements for such listed company. To meet this goal, we are committed to our employees’ continuing education and development.

Use of Proceeds from the Global Offering

The ordinary shares of the Company (the “**Shares**”) were listed on the Stock Exchange on December 30, 2020. The net proceeds (after deduction of underwriting fees and commissions and related costs and expenses) received by the Company from the global offering of the Company (the “**Global Offering**”) amounted to approximately HK\$386.9 million, and an additional net proceeds of approximately HK\$66.0 million were received by the Company from the allotment and issue of Shares as a result of the full exercise of the over-allotment option (collectively, the “**Net Proceeds**”).

As disclosed in the Company’s announcement dated June 6, 2022 (the “**Change in Use of Proceeds Announcement**”), having carefully considered the latest business environment and development needs of the Group, the Board had resolved and approved to re-allocate the unutilized Net Proceeds.

The following table sets forth the details of the Net Proceeds originally raised, utilized and unutilized Net Proceeds as of the dates indicated:

	Originally raised Net Proceeds <i>Amount</i> <i>HK\$ in million</i>	Unutilized Net Proceeds as of April 30, 2022 as disclosed in the Change in Use of Proceeds Announcement <i>Amount</i> <i>HK\$ in million</i>	Balance of the unutilized Net Proceeds after re-allocation as of April 30, 2022 as disclosed in the Change in Use of Proceeds Announcement <i>Amount</i> <i>HK\$ in million</i>	Utilized Net Proceeds since April 30, 2022 and up to December 31, 2022 <i>Amount</i> <i>HK\$ in million</i>	Unutilized Net Proceeds as of December 31, 2022 <i>Amount</i> <i>HK\$ in million</i>
To expand geographical coverage in China	178.4	121.8	91.8	30.3	61.5
To improve offline service offerings and capture the industry trend toward online-offline integration	44.4	34.6	34.6	0.2	34.4
To upgrade online platforms and enrich online service offerings	26.3	8.7	8.7	7.6	1.1
To enhance sales and marketing efforts	44.8	34.5	34.5	5.9	28.6
To scale services into overseas emerging markets, such as Southeast Asia and India, in order to capture significant growth opportunities	25.4	25.4	25.4	–	25.4
To selectively pursue investment and acquisition opportunities	90.6	78.5	58.5	–	58.5
To develop investment banking services	–	–	50.0	21.8	28.2
To be used for additional working capital and other general corporate purposes	43.0	33.8	33.8	2.0	31.8
Total	452.9	337.3	337.3	67.8	269.5

Note: The inconsistency between the sum of the numbers in the above table is due to rounding.

The Company currently expects to fully utilize the Net Proceeds by December 2024. The expected timeline is based on estimation of the future market condition made by the Group. It may be subject to change based on the current and future development of market conditions.

Purchase, Sale or Redemption of the Company's Listed Securities

During the Reporting Period, the Company repurchased a total of 6,132,800 Shares at an aggregate consideration of approximately HK\$18.65 million on the Stock Exchange in order to reflect the Company's confidence in its long-term business prospects and to enhance the value of the Shares thereby improving the return to shareholders of the Company. The details of the repurchase of such Shares are set out as follows:

Month of repurchase	Number of Shares repurchased	Maximum price paid per Share (HK\$)	Minimum price paid per Share (HK\$)	Total consideration (HK\$'000)
January 2022	1,132,400	3.88	3.28	3,965
February 2022	478,400	3.70	3.43	1,693
March 2022	220,000	2.40	1.98	502
April 2022	971,200	2.75	2.30	2,434
May 2022	457,200	2.94	2.59	1,290
September 2022	1,044,400	3.39	2.87	3,389
October 2022	963,600	3.35	2.35	2,798
November 2022	579,600	3.14	2.88	1,748
December 2022	286,000	3.05	2.83	831
Total	6,132,800			18,650

All the 6,132,800 Shares so repurchased were canceled as at the date of this announcement and the issued share capital of the Company was reduced by the nominal value thereof.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Final Dividend

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2022.

Annual General Meeting (the “2023 AGM”)

The 2023 AGM will be held on May 17, 2023. A notice convening the 2023 AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) in due course.

Closure of the Register of Members

For determining the entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Friday, May 12, 2023 to Wednesday, May 17, 2023, both days inclusive, and during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2023 AGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Thursday, May 11, 2023.

Sufficiency of Public Float

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this announcement, the Company has maintained the public float as required under the Listing Rules.

Compliance with Corporate Governance Code

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 to the Listing Rules as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with all code provisions contained in the CG Code during the Reporting Period, save for deviation from code provision C.2.1 of the CG Code.

Code provision C.2.1 of the CG Code stipulates that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. The roles of the chairman and chief executive officer of the Company are held by Mr. NI Zhengdong. The Board believes that vesting the roles of both chairman and chief executive officer in Mr. NI Zhengdong has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. In light of the above, the Board considers that the deviation from code provision C.2.1 of the CG Code is appropriate in the circumstances of the Company.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended December 31, 2022.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period.

The Group’s employees, who are likely to be in possession of inside information of the Group, are also subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the employees was noted by the Company.

Audit Committee and Review of Financial Statements

The Audit Committee comprising three independent non-executive Directors, namely Ms. YU Bin (being the chairwoman of the Audit Committee), Mr. HUANG Xubin and Mr. ZHANG Min, has reviewed with the management of the Company the consolidated financial statements of the Company for the year ended December 31, 2022. The Audit Committee has also reviewed the accounting policies and practices adopted by the Company and discussed matters in relation to, among others, risk management, internal control and financial reporting of the Group with management and the Company’s auditor. Based on this review and discussions with the management, the Audit Committee was satisfied that the Group’s consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the year ended December 31, 2022.

Auditor's Procedures Performed on this Results Announcement

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto in this results announcement of the Group for the year ended December 31, 2022 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this results announcement.

Subsequent Event

There were no other significant events that might affect the Group subsequent to the year ended December 31, 2022.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.zero2ipo.cn). The annual report of the Company for the year ended December 31, 2022 will be dispatched to the Shareholders and published on the aforesaid websites in due course.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our Shareholders, customers, bankers and other business associates for their trust and support.

By order of the Board
Zero2IPO Holdings Inc.
NI Zhengdong
Chairman and Chief Executive Officer

Beijing, the PRC, March 16, 2023

As at the date of this announcement, the Board of Directors of the Company comprises Mr. NI Zhengdong, Ms. FU Xinghua and Ms. ZHANG Yanyan as executive Directors; Mr. KUNG Hung Ka as non-executive Director; and Mr. HUANG Xubin, Mr. ZHANG Min and Ms. YU Bin as independent non-executive Directors.