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

Who We Are

The Soul universe

Soul is a leading social network in China in terms of average MAUs and DAUs. We had the highest daily private messages sent per user of the messaging function and the highest average daily launches per device in 2022, among open-ended mobile social networks in China, according to the iResearch Report. Soul distinguishes itself from all other social networking platforms in China, with its focus on virtual identities, extensive UGC, decentralized distribution, open-ended relationships based on interests graphs and curated user and content recommendation, according to the iResearch Report.

Soul is a virtual social playground for the young generations of China that defies geographic and social constraints, where people build and maintain extensive relationship through interests and virtual identities. Soul is an appearance-agnostics social networking platform where users can socialize and connect in a virtual space, using virtual identities and through a variety of interactive and gamified ways of interactions, and possess digital assets. According to the iResearch Report, Soul is the first social networking platform in China where all of the users interact through virtual identities in the form of avatars. With Soul, we aim to empower self-value expression and foster genuine relationships, thereby forming a virtual social playground that is organically self-expanding based on its users' creativity.

Our users' journey starts with creating brand new identities with avatar in the Soul app to hone the cyber identities they desire. With these virtual identities, users freely create, share, explore and connect with the help of our interest-graph driven recommendation, comprehensive community functionalities and gamified features. Based on each user's interest-graph, we recommend to each user curated content and other users with similar personalities, lifestyles and interests, enabling more in-depth interactions and more meaningful connections demonstrated through vibrant user interaction and in-depth communication. In particular, we had the highest number of daily private messages sent per user of the messaging function in 2022 among open-ended mobile social networks in China, according to the iResearch Report. In 2022, on average 31.9% of our DAUs engaged in "in-depth communication," which refers to conversations with more than 20 rounds. Average daily time spent per DAU on our mobile app in 2022 was approximately 46.4 minutes. In addition, according to a user survey conducted by iResearch in November 2022, over 90% of the surveyed users agree that Soul can foster genuine and in-depth relationship and over 85% of the surveyed users agree that Soul can foster long-lasting relationship. Our wide variety of community functionalities and gamified features also enable and inspire users to find new ways to interact and co-experience.

What distinguishes Soul from other social networking platforms

Identifying, building and maintaining genuine interpersonal connections are universal and indispensable human needs. We have observed the plaguing unfulfilled needs of young people in China to communicate, explore new ideas and receive emotional support from others. They may lack such opportunities from the physical world for the complicated nature of societal links and constraints of the mundane lives.

Unfortunately, rather than expanding social circles, many social networking platforms in China today are simplified and diminished continuations of the physical dimension people reside in. While advancements in technology have brought us closer by eradicating physical barriers, paradoxically, they have also made us farther apart than ever by perpetuating and amplifying social inequalities and pressures. On other social networking platforms, while influencers and opinion leaders are given podiums to speak, most people do not get much attention and are wary of judgment, and are therefore reluctant to create content on social media.

We created Soul as a solution to address these issues and offer every user, especially the young generation, the opportunity for self-value expression, stress-free communications and interactions. We intelligently recommend curated content and people with similar interest and personalities to each user and to help them form genuine relationships in our virtual social playground demonstrated through vibrant user interaction and in-depth communication.

What makes young people like Soul

We have a large user base of young users. In 2022, the number of our average MAUs was 29.4 million. With our leading position in the social networking industry, diversified offering of creative features, and immersive experience purpose-built for stress-free communications and interactions, Generation Z constitutes the core of our user base and continues to serve as the driving force of the Soul universe. In 2022, 78.4% of our average MAUs were Generation Z.

We believe several characteristics of Soul have made us a widely used virtual social playground for the young generations of China:

- *Virtual identity.* According to the iResearch Report, Soul is the first social networking platform in China where all of the users interact through virtual identities in the form of avatars. Soul is designed not to display real identities, so our users can fully immerse in the Soul playground, away from the complex physical social network surrounding them. Users design brand new identities in the form of avatars to portray their cyber personalities and showcase their talents. We also design our content moderation algorithms to discourage selfies and self-identifying posts, which help to create a more immersive yet discreet cyber personal space.

- *Interest graph-based*. We generate interest graphs for each user and travel them to different "planets" as their residences in the Soul playground. See "Business—Functions of Soul—

Soul Tests: Profound heuristic self-discovery." According to the iResearch Report, we are the only social networking platform in China that provides user recommendation based solely on interest graph.

- *Self-expanding playground.* We have designed a variety of fun and immersive creative tools for users to spontaneously design and expand a virtual social playground, through UGC of many different forms. Aside from the traditional text, pictures and videos, users can create avatars, pets, musical pieces, unique and fun Partyrooms, and communicate through various other forms of features, all of which help to foster the self-sustaining communities on our platform. Through these rich formats of interaction and expression, the Soul playground organically evolves as users discover and create more ways to use it.

- *Decentralization.* We employ a decentralized traffic distribution method to ensure that content created by every user is distributed equally across the community and receives similar amounts of reach and engagement. This cultivates a welcoming environment where every user has a voice on our app, thus encouraging them to continue engaging with the community and creating content. In 2022, the post response rate on Soul was over 87%.

- *Gamified and immersive experiences.* We deliver gamified and immersive experience underpinned by holistic virtual identities, massive and intensive interactive scenarios characterized by engaging content, intriguing features and fun party games. We also apply various technology, including augmented reality, to provide heightened sensory adventure and deliver an immersive experience closer to reality and diverse gamified ways of interaction. The gamified and immersive experience serves as a stimulus to enhance and encourage more organic and meaningful interactions among users to form deep connection. It also stimulates users to stay on the Soul platform. We had a monthly average 3-month user retention rate of 78.6% in the nine months ended September 30, 2022. Average daily time spent per DAU on our mobile app in 2022 was approximately 46.4 minutes.

- *Diverse and rich content.* Our interest graph-based content and decentralized distribution philosophy stimulate the rise of diverse categories and topics on our app. Users are more incentivized to interact with one another and socialize through each other's content in an immersive manner. Each of our users who created content on average generated 5.7 posts per month in 2022, the highest among China's open-ended mobile social networking platforms, according to the iResearch Report.

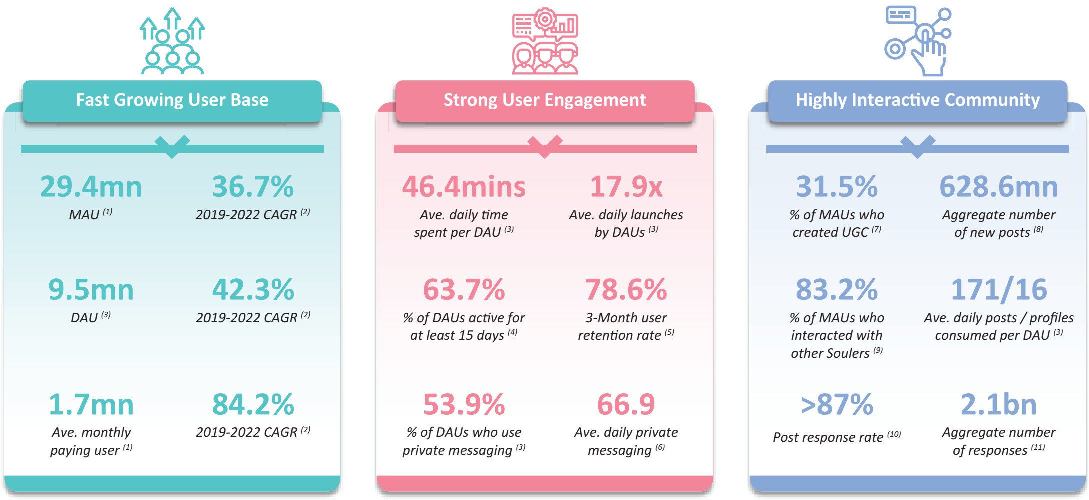
- *Technology-driven.* We have developed and systematically applied a powerful and proprietary set of technology, which underpins the superior performance of our product. Our *Lingxi* and *Nawa* engines, both developed in-house, epitomize our technological prowess. *Lingxi* is a sophisticatedly trained and highly tailored smart recommendation system focused on not only content but more importantly the relationship among users, with industry-leading precision, according to the iResearch Report. *Nawa* engine is a proprietary suite of multimedia technologies, including keypoint detection, avatar creation and 2D and 3D rendering engine, that empower users with superior experience through customized 3D avatars.

- *Wholesome*. We recognize that a safe, inclusive and wholesome environment is crucial to encouraging genuine interactions and forging in-depth relationship. We deploy strong anti-harassment and anti-phishing mechanisms to combat unwelcomed behaviors on Soul. Our anti-harassment system and content moderation capabilities help us preempt and filter out unpleasant messages.

We encourage online sharing, creating, communicating, and exploring, and aim at fostering all types of social relationships among our users, and particularly maintaining such relationships online on the Soul platform. These distinguish us from major dating apps that focus on helping people acquire real-life romantic relationships with a particular emphasis on developing such relationships offline, according to the iResearch Report. Our key features also distinguish us from major dating apps, according to the iResearch Report. For example, our users build brand new virtual identities, interact and communicate with no real identities displayed on Soul platform. While on major dating apps, users are generally required to create dating profiles and interact with real identities and profile pictures. We also have diversified features to encourage virtual interaction in group settings to enhance overall user communications and create more high-quality content. In addition, we provide them with gamified ways of interaction to express and experience diverse interest and culture. In contrast, features and tools on major dating apps are focused on location and offline communication among users to build and deepen one-on-one romantic relationship, and limited or no recognition or incentives are provided to top content creators. For more details, see "Business — Who we are — What makes young people like Soul."

What Soul has achieved so far

We believe that the following metrics demonstrate the outstanding levels of user growth and engagement we have achieved in the Soul playground:



(1) Monthly average for the twelve months ended December 31, 2022
(2) Compounded annual growth rates from 2019 to 2022
(3) Daily average for the twelve months ended December 31, 2022

(4) The average ratio calculated on a daily basis for the twelve months ended December 31, 2022 by dividing (i) the number of users who were active on at least 15 days during the 30-day period ending on such day by (ii) the number of DAUs on such day

(5) Monthly average 3-month user retention rate in the nine months ended September 30, 2022

(6) Average daily 1-to-1 private messages per DAU who used private messaging function in the twelve months ended December 31, 2022

(7) Monthly average number of MAUs who created UGC in a month in the twelve months ended December 31, 2022 divided by the number of MAUs in the same month

(8) Total posts of all users for the twelve months ended December 31, 2022

(9) The average ratio calculated on a monthly basis for the twelve months ended December 31, 2022 by dividing (i) the number of users who interacted with other users at least once in a given month by (ii) the number of MAUs in the same month

(10) Total number of posts that received at least one response in the twelve months ended December 31, 2022 divided by the total number of posts in the twelve months ended December 31, 2022

(11) Total number of responses in the twelve months ended December 31, 2022 for all posts available

- *User base*. In 2022, our average MAUs and average DAUs were 29.4 million and 9.5 million, respectively. In 2022, 78.4% of our average MAUs were Generation Z.

- *Time-spent*. Average daily time spent per DAU on our mobile app in 2022 was approximately 46.4 minutes.

- *Stickiness*. We had a monthly average 3-month user retention rate of 78.6% in the nine months ended September 30, 2022. In 2022, on average 53.9% of our DAUs engaged in private messaging with an average of 66.9 one-to-one messages per day, which was the highest among open-ended mobile social networking platforms in China during the same period, according to the iResearch Report.

We have also built an engaging and interactive community.

- *Posts*. In 2022, on average 31.5% of our MAUs created content during a month, representing the highest percentages among open-ended mobile social networks in China, according to the iResearch Report. In 2022, each of our users who created content on average generated 5.7 posts per month, creating a total of 628.6 million posts in the same period.

- *Messages.* On Soul, users created on average 10.5 billion one-to-one messages per month in 2022. We had the highest number of daily private messages sent per user of the messaging function in 2022, among open-ended mobile social networks in China, according to the iResearch Report.

- *Interactions.* In 2022, on average 83.2% of our MAUs interacted with other users during a month; the post response rate on Soul app was over 87% with an aggregate of 2.1 billion responses. During the same period, each post received on average 12.4 comments and 21.9 likes, respectively; each DAU consumed on average 171 posts and 16 profiles a day on our app.

- *Spending.* In 2022, our number of average monthly paying users was 1.7 million, and our average monthly revenue per paying user was RMB75.3.

Our Financial Performance

We monetize our platform primarily through value-added services, including both the sale of Soul Coins and membership subscriptions. Soul Coins provide users the options to purchase a variety of virtual items that further enhance their experience in the Soul app, including avatars (customized avatars and avatar creating props), virtual gifts, game props and recommendation privileges. Substantially all of our virtual items and privileges are purchased through Soul Coins. We had the largest percentage of revenues generated from the sales of value-added services during the Track Record Period. Users can also enjoy our value-added services by subscribing to our membership services. As of the date of this document, users who subscribe to our membership packages can unlock 14 privileges, which primarily include interaction-based privileges and identity-based privileges, such as special notification sound for a specific user and premium user homepage decoration template.

We offer advertisers a variety of advertising services to effectively reach their target audience. We believe our large and active user base provides advertisers with a highly attractive audience base. Our advertising services primarily consist of display advertisements, including advertisement appearing on the app opening page, top banner, and content feeds and customized advertisements we design for our advertising customers that integrate well with key features such as the Soul Tests.

We started generating revenues from Giftmojis services in the first quarter of 2021, which allows users to send physical gifts to each other. We collaborate with third-party vendor partners to offer a wide selection of products that are popular among the young generations, such as snacks and flowers under our Giftmojis feature for users to choose from. We earn the difference between the price pre-negotiated with vendors that provide the Giftmojis and the price for Giftmojis we sell to users on our Soul app. See "Business — Our Monetization."

We are at the early stage of monetization but have experienced strong growth in revenue. Our revenue increased by 157.3% from RMB498.0 million in 2020 to RMB1,281.2 million in 2021, and further increased by 30.1% to RMB1,667.4 million in 2022. We recorded gross margin of 79.9%, 85.2%, and 86.3% in 2020, 2021 and 2022, respectively. We recorded a net loss of RMB579.1 million, RMB1,324.4 million and RMB508.5 million in 2020, 2021 and 2022, respectively. Our net loss margin significantly narrowed during the Track Record Period, from 116.3% in 2020 to 103.4% in 2021, and further to 30.5% in 2022.

The following table sets forth the components of our revenue by amounts and percentages of our total revenue for the periods presented.

	Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentage data)					
Revenue						
Value-added services	485,247	97.4	1,202,480	93.9	1,518,544	91.1
Virtual items:	389,973	78.3	1,071,542	83.6	1,367,413	82.0
Avatar and virtual gifts	224,090	45.0	807,483	63.0	1,041,439	62.5
Recommendation privileges(1)	162,865	32.7	254,146	19.8	310,364	18.6
Game props and others(1)(2)	3,018	0.6	9,912	0.8	15,610	0.9
Membership:	95,274	19.1	130,938	10.2	151,131	9.1
Advertising services	12,766	2.6	77,864	6.1	148,316	8.9
Others(3)	—	—	831	0.1	544	0.0
Total	**498,013**	**100.0**	**1,281,175**	**100.0**	**1,667,404**	**100.0**

Notes:

(1) For more details of the pricing of various products under our value-added services, see "Business — Our Monetization — Value-added services".

(2) Mainly represent revenue generated from game props and other miscellaneous items.

(3) Others represent revenue generated from Giftmoji.

Our Strengths

We believe our success to date is largely attributable to the following key competitive strengths:

- Pioneering social networking model fulfilling demands from the growing young generation;
- Immersive and evolving social experience;
- Highly engaged, interactive and sticky user base for in-depth and genuine relationships;
- Open platform with high commercial value;
- Proprietary technologies fueling user engagement and growth; and
- Pioneering and visionary management team dedicated to our users.

Our Strategies

We intend to achieve our mission and further grow our business by pursuing the following strategies:

- Further expand and retain our user base;

- Continue to effectively engage our users through product innovation;
- Continue to invest and innovate in technologies and retain talents;
- Continue to develop and invest in social metaverse; and
- Continue to explore monetization potential.

Our Customers and Suppliers

We started generating revenue in 2019 through value-added services. We started offering advertising services in 2020. Our customers mainly consists of individual users who purchase value-added services and brands and merchants who advertise on our platform. For each of the years ended December 31, 2020, 2021 and 2022, our top five customers contributed less than 6% of our total revenue. See "Business — Customers" for more details.

Our suppliers primarily include providers for technology services, advertising and promotion services. In 2020, 2021 and 2022, (i) our top five suppliers accounted for 43.1%, 46.2% and 46.2% of our total purchases, respectively; and (ii) our largest supplier contributed to 14.2%, 12.9% and 15.1% of our total purchases, respectively. See "Business — Suppliers" for more details.

Relationship between Our Group and Tencent

Tencent (through Image Frame) initially invested in our Group in May 2020. Since May 2020 to the Latest Practicable Date, Tencent (through Image Frame) had always been a strategic investor with no participation in the day-to-day management or business operations of our Group. On October 10, 2021, Image Frame entered into a voting proxy (the "**Voting Proxy**"), pursuant to which Image Frame granted a voting proxy in favor of Ms. Lu Zhang, the founder, chairwoman and chief executive officer of our Group, in respect of the equivalent of 36,500,000 ordinary shares (on an as-converted basis) held by Image Frame. Image Frame will not be deemed a controlling shareholder as defined under the Listing Rules upon **[REDACTED]**. See "History, Development and Corporate Structure — Voting Proxy" for more details of the Voting Proxy.

During the Track Record Period, our Group had various business relationships with Tencent Group, such as (i) the use of Weixin Pay; (ii) the use of Tencent's services to acquire users; (iii) the receipts of advertising income from Tencent; (iv) the use of QQ music's free music archive; (v) the use of Tencent's SMS services; and (vi) the use of Tencent's IT infrastructure services in relation to digital assets. For details of the relevant transactions entered into between our Group and Tencent Group that will constitute connected transactions after **[REDACTED]**, please refer to "Connected Transactions". Please also refer to "Business — Relationship between Our Group and Tencent".

Business delineation from Tencent Group

We are of the view that there is a clear delineation between our Group's business and the business of Tencent Group for the following reasons:

(a) Distinctions in functions and hence usage purposes between our Soul app and Tencent Apps

Our Soul app is appearance-agnostic, interest-driven, decentralized and gamified. Our Soul app users are not required to disclose their real identities, locations, ages or appearances. Instead, our app users create virtual identities, in the form of avatars to portray cyber personalities. Our Soul app promotes open-ended social networking (i.e. no need to form a "friend" relationship on our app in order to interact with other app users) and connects app users through generating interest graphs for each of our app users, and recommending to each app user curated content and other app users with similar personalities, lifestyles and interests, which enable more in-depth interactions and connections among our app users demonstrated through vibrant user interaction and in-depth communication.

On the other hand, products and services offered by Tencent Group can be broadly divided into two categories, namely (i) communication and social services (i.e. Weixin (*微信*) and QQ) which offer instant messaging services with mainly real-life acquaintances, and provide users with content and services in real life settings; and (ii) content apps which focus on content-based social entertainment (e.g. WeSing (*全民K歌*) (an app offered by Tencent Music Entertainment Group, a company in which Tencent holds approximately 49.06% equity interest as of December 31, 2021)).

In view of the distinctions between the functions of our Soul app and the above-mentioned apps offered by Tencent Group, our Group believes that users would use our Soul app and the apps offered by Tencent Group for different purposes.

(b) Differences in business and revenue model between our Group and Tencent Group

There are also significant differences between our Group's revenue model and the revenue model of Tencent Group. Our Soul app generated substantially all of the revenue from value-added services, including virtual items and membership, which accounted for 93.9% of our Group's revenue for the financial year ended December 31, 2021. On the other hand, Tencent Group generates substantial revenue from games, advertising and fintech and business services. For the fiscal year ended December 31, 2021, approximately 78% of Tencent Group's revenue was derived from games, fintech and business services and online advertising, according to the public filing of Tencent Group.

(c) Absence of material direct competition with Tencent Group

We believe we do not have any material direct competition with Tencent Group. As illustrated above, there are distinct differences between the functions and hence usage purposes between the Soul app and the apps offered by Tencent Group, as well as marked differences between the business and revenue models between our Group and Tencent Group. As a result, our Group does not directly compete with Tencent Group for app users nor customers. To the best of our knowledge, information and belief, none of our peer companies are associates of Tencent. As such, we are of the view that our Group does not have any material direct competition with Tencent Group and that our business is clearly delineated from Tencent Group. For more details, please refer to "Business — Business delineation from Tencent Group".

Our Directors are of the view that the Group does not have any material direct competition with, and that the Group's business is clearly delineated from Tencent Group.

No significant reliance on Tencent Group

Our Group entered into a number of transactions with Tencent Group during the Track Record Period and expects to continue to conduct certain transactions with Tencent Group as detailed in the section headed "Connected Transactions" of this document. Nevertheless, our Directors are of the view that our Group does not and will not significantly rely on Tencent Group, taking into account the fact (i) that our transactions with Tencent have been insignificant to our Group's total revenue and expenses; (ii) that our Group's volume and amount of transactions with Tencent in the near future are not expected to materially increase relative to the size of our Group's business; and (iii) that any transactions with Tencent Group will be on normal commercial terms in our Group's ordinary course of business on fair and reasonable terms. For more details, please refer to "Business — No significant reliance on Tencent Group".

Business Sustainability

We are a pioneer in building future virtual social playgrounds in China and we are still at an early stage of monetization. We incurred net losses and net operating cash outflow throughout the Track Record Period, as we have been focusing on growing our user base by investing in our brand and creating new ways for users to interact on the Soul app, rather than seeking immediate financial returns or profitability, in order to lay a solid foundation for our long-term success.

The following table sets forth certain financial data for the periods indicated.

	Year Ended December 31,		
	2020	2021	2022
	(RMB in thousands, except percentages)		
Revenue	498,013	1,281,175	1,667,404
Gross profit	398,055	1,091,171	1,438,628
Gross profit margin	79.9%	85.2%	86.3%
Net loss	(579,050)	(1,324,444)	(508,499)
Net loss margin	(116.3%)	(103.4%)	(30.5%)

We gradually expand the monetization potential of our platform, narrow loss margins and yield profit margin as we expect revenue and gross profit growth would outpace the increase in investment and expenditure. Our future profitability is subject to various factors, including our ability to effectively monetize our platform and continually grow revenues in a cost-effective way, which will require us to improve our operational efficiency.

Our Strong and Robust Historical Growth

We only started to monetize our platform in 2019, and have set a track record of strong historical growth in our financial and operational performance. Our revenue increased substantially by 157.3% from RMB498.0 million in 2020 to RMB1,281.2 million in 2021, and further increased by 30.1% to RMB1,667.4 million in 2022.

The robust historical growth is supported by our continuous efforts to grow our user base, increase user engagement and enhance user-centric monetization. In 2020, 2021 and 2022, our average MAUs were 20.8 million, 31.6 million and 29.4 million, respectively, and our average DAUs were 5.9 million, 9.3 million and 9.5 million, during the same periods respectively. In 2020, 2021 and 2022, our numbers of average monthly paying users were 929.3 thousand, 1.7 million and 1.7 million, respectively, and our average monthly revenues per paying user were RMB43.5, RMB60.5 and RMB75.3, respectively.

Our Path to Profitability

We intend to achieve profitability primarily by (i) continuing to expand our user base and enhance user engagement, (ii) increasing our monetization capabilities, and (iii) improving our operating leverage.

Continue to expand our user base and enhance user engagement

Our users and their engagement to Soul are the core drivers of our business growth and financial performance. During the Track Record Period, our user base expanded with strong user engagement. In 2020, 2021 and 2022, our average MAUs were 20.8 million, 31.6 million and 29.4 million, representing a year-over-year growth of 51.6% in 2021, and a year-over-year decrease of 7.3% in 2022. In 2020, 2021 and 2022, our average DAUs were 5.9 million, 9.3 million and 9.5 million, representing a growth of 55.8% and 3.1% in 2021 and 2022, respectively. Our engaged user base has laid a solid foundation for monetization and the growth of our business during the Track Record Period. We experienced a slight decrease in MAUs in 2022 as we decreased our selling and marketing spending as a part of our strategy shift to balance user growth with our goal to grow and maintain high user value measured by ARPPU and paying ratio. Our ARPPU increased from RMB43.5 in 2020 to RMB60.5 in 2021 and further increased to RMB75.3 in 2022, and our paying ratio increased from 4.5% in 2020 to 5.2% in 2021 and further to 5.7% in 2022. Our revenue increased substantially by 157.3% from RMB498.0 million in 2020 to RMB1,281.2 million in 2021, and further increased by 30.1% to RMB1,667.4 million in 2022.

To better capture and capitalize on future growth opportunities, we have strategically focused on growing our user base and user engagement through continuously improving our immersive user experience, further cultivating our user community and expanding product offerings and diversified content on the Soul app to pave the way for long-term profitability. We have invested in technologies to improve the efficiency of user recommendation and content distribution as well as offer more creative ways for users to interact with each other, further enhancing our user engagement and improving user retention. Besides the organic user growth based on the word-of-mouth referrals, to further capture the demand from young generations, we will also continue to grow our user base through various sales and marketing activities in a cost-effective manner. As our user base and user engagement continue to grow, we expect to enjoy network effects which will in turn generate more social interactions and transactions on our platform and attract more users, advertisers and other business partners to our platform. This will enable us to increase our revenues through various monetization channels.

Increase our monetization capabilities

During the Track Record Period, we mainly generated our revenues from value-added services. With the rapid growth of our user base, we keep exploring better services to meet the evolving needs of our users. Our monetization capability is enhanced as evidenced by an increasing paying ratio. Our paying ratio increased from 4.5% in 2020 to 5.2% in 2021, and further increased to 5.7% in 2022. Our ARPPU increased from RMB43.5 in 2020 to RMB60.5 in 2021, and further increased to RMB75.3 in 2022. According to iResearch, the estimated average monthly paying ratio of mobile social networking platforms in China is approximately 5.4% in 2021. With the development of new technologies and evolution of the internet towards metaverse, social networking products are expected to provide enhanced user experience, and social networking platforms may discover new ways of monetization, bringing further growth possibilities in paying ratio, according to iResearch. Leveraging insights into our users' spending behavior, we will continue to improve our user experience, thus to convert more users to paying users and to increase the spending of our paying users. We also plan to explore more ways to capture the unfulfilled needs of our broad users and help them connect with people with common interests and establish authentic interpersonal connections on Soul. To further enhance our monetization potential, we will continue to focus on product innovation, such as launching new immersive and gamified features and functionalities, enhancing the quality of content on our platform, introducing diverse categories of virtual items and privileges and providing more creative channels to facilitate user interactions.

We will also expand and diversify our revenue streams. Started in 2020, we began to offer advertising services. We provide display-based mobile advertising services, which allow our advertising customers to place advertisements on particular areas of our platform in different formats. Leveraging our open-platform capabilities, we plan to actively promote our advertising services, through leveraging our large and quality user base, expanding advertising customer base and introducing more effective and diverse advertising services. Revenue from our advertising services as a percentage of our total revenue increased from 2.6% in 2020 to 6.1% in 2021 and further to 8.9% in 2022. In addition, we keep exploring new monetization opportunities. For example, we started to generate revenues from Giftmojis services in the first quarter of 2021, which allow users to send physical gifts to each other.

Leveraging our deep understanding of users' interests and preferences, we are well positioned to create more consumption scenarios around users' evolving demands to encourage users to interact on Soul in more creative ways and enhance their willingness to purchase our services, which further increases the sales of value-added services. We believe it would lead to larger user scale, greater user engagement, higher paying ratio from active users, expanding paying user base, and increased average spending per user. Our large user base and vibrant community will also attract more high quality business partners to collaborate with us to explore various monetization opportunities. This will enable us to increase our revenues through enhanced monetization capabilities.

Improve our operating leverage

We intend to manage our costs and expenses level and improve margin and operating leverage.

Our operating expenses primarily consist of selling and marketing expenses, technology and development expenses and administrative expenses. Our selling and marketing expenses increased from RMB621.5 million in 2020 to RMB1.5 billion in 2021. The increase in selling and marketing expenses was due to our increased investment in advertising and promotion efforts to enhance our brand awareness and attract a broader user base that we believe can result in greater profitability in the future. We believe our investment in brand will benefit us in the long run as more users join, more content will be created, enabling a vibrant community with more communications and interaction among our users, which will then drive the organic growth and monetization potential of our user base. Our selling and marketing expenses decreased from RMB1.5 billion in 2021 to RMB843.7 million in 2022, as we strategically decreased our advertising and promotion spending in 2022, as a part of our strategy to control spending and achieve balanced user growth. Our selling and marketing expenses as percentage of our revenue decreased from 124.8% in 2020 to 118.1% in 2021, and further decreased to 50.6% in 2022. Our paying ratio increased from 4.5% in 2020 to 5.2% in 2021, and further increased to 5.7% in 2022. Balanced user growth strategy refers to the strategy we adopt under the current macro environment that balances user growth and user quality characterized by improved monetization capabilities. We believe this strategy can help us better capture the future growth opportunities in a sustainable manner. Going forward, we will continue to evaluate and monitor the effectiveness and efficiency of our branding and marketing activities to further enhance our brand awareness and attract a broader user base in a sustainable manner. We will continuously devote resources into product innovations, enhance user experience to improve user retention and user engagement, and enhance user acquisition capabilities and efficiencies, which we believe can partially offset the impact from the reduction in advertising and promotion expenses for user acquisition. We believe the decrease in selling and marketing spending will only lead to a temporary decline in user growth rate but will support more sustainable user growth in the long run. We expect to effectively manage our selling and marketing expenses as we continue to grow our scale.

We have also made significant investment in our technology capabilities. Our technology and development expenses increased from RMB187.2 million in 2020 to RMB414.9 million in 2021, and further increased to RMB471.8 million in 2022. Our administrative expenses increased from RMB88.3 million in 2020 to RMB203.3 million in 2021, and further increased to RMB235.6 million in 2022.

We have experienced a continuous decrease in selling and marketing expenses, technology and development expenses and administrative expenses as percentage of our revenue as we recorded a significant increase in our revenue and benefited from the economies of scale of our platform. Our selling and marketing expenses as percentage of our revenue decreased from 124.8% in 2020 to 118.1% in 2021, and further decreased to 50.6% in 2022. We expect our selling and marketing expenses as a percentage of our revenue to decrease in the near future. Our technology and development expenses as percentage of our revenue decreased from 37.6% in 2020 to 32.4% in 2021, and further decreased to 28.3% in 2022. Our administrative expenses as percentage of our revenue decreased from 17.7% in 2020 to 15.9% in 2021, and further decreased to 14.1% in 2022. Going forward, we expect to further benefit from our operating leverage and economies of scale on our platform and intend to efficiently manage our costs and expenses and improve our operating efficiency.

Overall, as we continue to grow in scale, we expect to further benefit from operating leverage and economy of scale. Our Directors are of the view that we plan to improve financial performance and achieve profitability through implementing our strategies to continue to expand our user base and enhance user engagement, increase our monetization capabilities and improve our operating leverage. Based on the independent due diligence work conducted by the Joint Sponsors, nothing material has come to the Joint Sponsors' attention that would reasonably cause the Joint Sponsors to cast doubt on the above views of our Directors.

Working Capital Sufficiency

Taking into account the financial resources available to us, including our cash and cash equivalents on hand and the estimated **[REDACTED]** from the **[REDACTED]**, our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document. We also proactively review and adjust our cash management policy and working capital needs according to general economic conditions and our short-term business plans. Based on the independent due diligence work conducted by the Joint Sponsors in relation to our working capital sufficiency, nothing material has come to the Joint Sponsors' attention that would reasonably cause the Joint Sponsors to cast doubt on the above views of our Directors in relation to our working capital sufficiency. The foregoing views of our Directors with respect to our working capital sufficiency is a forward-looking statement which is based on numerous assumptions regarding our present and future business strategies and the environment in which our Company will operate in the future. This forward-looking statement involves known and unknown risks, uncertainties and other factors, some of which are beyond our Company's control, which may cause the actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by this forward-looking statement. For related risks, please see "Risk Factors — Risks Relating to Our Business and Industry".

In addition, as evidenced by our historical equity financing activities, we have a good track record in being able to raise money from renowned **[REDACTED]** to finance our business. See the section headed "History, Development and Corporate Structure **[REDACTED]**" of this document. We believe that potential external financing sources, including those to which we will gain access after the **[REDACTED]**, will provide additional funding to fuel our business operation and expansion until we achieve profitability and positive operating cash flow.

RISK FACTORS

There are certain risks involved in our business and industries, our corporate structure, our business operations in China, **[REDACTED]** in **[REDACTED]**, the **[REDACTED]** and the **[REDACTED]**, many of which are beyond our control. For example, these risks include, among others, the following risks related to our business:

- If we fail to retain our existing users or further grow our user base, or if our user engagement declines, our business and operating results may be materially and adversely affected.

- We have a limited operating history, and we may not be able to sustain our historical growth, effectively manage our growth, control our costs and expenses, or implement our business strategies.

- We incurred significant net losses and generated net operating cash outflows during the Track Record Period and we may continue to do so in the future.

- Our brand image, business and results of operations may be adversely impacted by user misconduct and misuse of our products and services.

- We were penalized in the past for allowing minors to access content prohibited to be consumed by minors by relevant PRC regulations on our mobile app. Our continued compliance efforts may prove costly or ineffective, and any regulatory noncompliance or negative incident in this regard may materially and adversely affect our reputation, business, financial condition and results of operations.

- Our business is subject to the complex and evolving laws and regulations in the countries and regions where we operate. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business.

- Our business depends on our users continually finding interesting content which in turn depends on the content generated and contributed by our users. If our users cannot create quality content at a consistent rate, we may not be able to attract and retain users to remain competitive.

- Because we collect, store, process and use data, some of which contains sensitive personal information, we face concerns over the collection, improper use or disclosure of personal information, which could discourage current and potential users from using our services, damage our reputation, face regulatory scrutiny, and in turn materially and adversely affect our business, financial condition and results of operations.

- We cannot guarantee that our monetization strategies will be successfully implemented or that we will be able to generate sustainable revenue and profits.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountants' Report set out in Appendix I to this document. The summary consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this document, including the related notes. Our consolidated financial information was prepared in accordance with IFRSs.

Selected Consolidated Statements of Profit or Loss and Other Comprehensive Income Items

The following table sets forth our consolidated statements of profit or loss and other comprehensive income, both in absolute amount and as a percentage of our revenue, for the periods indicated:

	Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentage data)					
Revenue	498,013	100.0	1,281,175	100.0	1,667,404	100.0
Cost of sales(1)	(99,958)	(20.1)	(190,004)	(14.8)	(228,776)	(13.7)
Other income/(loss), net	(5,723)	(1.1)	(4,275)	(0.3)	17,335	1.0
Selling and marketing expenses(1)	(621,487)	(124.8)	(1,512,918)	(118.1)	(843,683)	(50.6)
Administrative expenses(1)	(88,266)	(17.7)	(203,263)	(15.9)	(235,566)	(14.1)
Technology and development expenses(1)	(187,220)	(37.6)	(414,913)	(32.4)	(471,800)	(28.3)
Impairment loss on trade receivables	—	—	(555)	(0.0)	(3,822)	(0.2)
Loss from operations	**(504,641)**	**(101.3)**	**(1,044,753)**	**(81.5)**	**(98,908)**	**(5.9)**
Changes in the carrying amount of redeemable shares and financial liabilities for redemption obligations	(73,960)	(14.9)	(277,888)	(21.7)	(405,957)	(24.3)
Loss before taxation	**(579,050)**	**(116.3)**	**(1,324,444)**	**(103.4)**	**(508,499)**	**(30.5)**
Loss for the year	**(579,050)**	**(116.3)**	**(1,324,444)**	**(103.4)**	**(508,499)**	**(30.5)**

Note:

(1) Share-based payments expenses were allocated as follows:

	Year Ended December 31,		
	2020	**2021**	**2022**
	(RMB in thousands)		
Share-based payments expenses			
Cost of sales	7,231	7,855	6,183
Selling and marketing expenses	746	2,227	1,544
Administrative expenses	13,349	9,307	13,439
Technology and development expenses	17,948	28,427	31,893
Total	**39,274**	**47,816**	**53,059**

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted net loss (non-IFRS measure) (defined below) and adjusted loss margin (non-IFRS measure) (defined below) as additional financial measures, which are not required by, or presented in accordance with, IFRSs. We believe that the presentation of these non-IFRS measures facilitates comparisons of operating performance from period to period and company to company. We believe that these measures provide useful information to **[REDACTED]** in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, the use of non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for the analysis of, our results of operations or financial conditions as reported under IFRSs. In addition, the non-IFRS financial measures may be defined differently from similar terms used by other companies.

We define "adjusted net loss (non-IFRS measure)" as loss for the year, adding back (i) changes in the carrying amount of redeemable shares and financial liabilities for redemption obligations, and (ii) share-based payments expenses. Adjusted loss margin (non-IFRS measure) represents adjusted net loss (non-IFRS measure) as a percentage of revenue for the periods indicated.

For the years ended December 31, 2020, 2021 and 2022, our adjusted net loss (non-IFRS measure) was RMB465.8 million, RMB998.7 million and RMB49.5 million, respectively.

The following table sets forth the reconciliations of our adjusted net loss (non-IFRS measure) for the fiscal years ended December 31, 2020, 2021 and 2022 to the nearest measure prepared in accordance with IFRSs.

	Year Ended December 31,		
	2020	**2021**	**2022**
	(RMB in thousands)		
Reconciliation of adjusted net loss (non-IFRS measure) to loss for the year:			
Loss for the year	(579,050)	(1,324,444)	(508,499)
Add:			
Changes in the carrying amount of redeemable shares and financial liabilities for redemption obligations(1)	73,960	277,888	405,957
Share-based payments expenses(2)	39,274	47,816	53,059
Adjusted net loss (non-IFRS measure)	**(465,816)**	**(998,740)**	**(49,483)**

Notes:

(1) Redeemable shares and financial liabilities for redemption obligations are measured at the present value of the redemption amount. We do not expect to record any further changes in the carrying amount of redeemable shares and financial liabilities after the **[REDACTED]** as the carrying amount of the liabilities will be reclassified to equity with no gain or loss. Upon **[REDACTED]**, the redemption obligations will be terminated and the redeemable shares will be automatically converted into ordinary shares then. The adjustment has been consistently made during the Track Record Period.

(2) Share-based payments expenses are mostly non-cash in nature and do not result in cash outflow, and the adjustment has been consistently made during the Track Record Period.

Our revenue increased by 157.3% from RMB498.0 million in 2020 to RMB1,281.2 million in 2021, primarily due to the increase of revenue from value-added services, driven by an increase in the number of average monthly paying users as well as average monthly revenue per paying user. Our revenue increased by 30.1% from RMB1,281.2 million in 2021 to RMB1,667.4 million in 2022, primarily due to the increase of revenue from value-added services, driven by an increase in the average monthly revenue per paying user.

Along with our strong revenue growth, our gross profit margin increased from 79.9% in 2020 to 85.2% in 2021, and further increased to 86.3% in 2022, primarily due to a decrease in our average commission fee rate as a percentage of our revenue. Our selling and marketing expenses as a percentage of our total revenue decreased from 124.8% in 2020 to 118.1% in 2021 and further decreased to 50.6% in 2022, as we continually improve our sales and marketing efficiency by utilizing emerging and creative marketing tools.

We recorded losses resulted from changes in the carrying amount of redeemable shares and financial liabilities for redemption obligations of RMB74.0 million in 2020, RMB277.9 million in 2021 and RMB406.0 million in 2022. The increased losses were primarily due to the increase of the redemption amount of redeemable shares. These liabilities arising from the redemption obligation of the redeemable shares are measured at the present value of the redemption amount. Upon **[REDACTED]**, the carrying amount of the liabilities will be reclassified from liabilities to equity with no gain or loss. Changes in the carrying amount of redeemable shares and financial liabilities for redemption obligations affected our performance significantly during the Track Record Period and may continue to have adverse effect on our results of operations until conversion into ordinary shares, after which we do not expect to recognize any further gain or loss. We recorded a net loss of RMB579.1 million, RMB1,324.4 million and RMB508.5 million in 2020, 2021 and 2022, respectively. Our net loss increased in 2020 and 2021 as we have been in a high growth stage and strategically focused on growing our user base via investing in our brand. Our net loss decreased in 2022 primarily due to decreased selling and marketing spending as a part of our strategy to acquire and retain users with higher monetization potential to better capture future growth opportunities in a sustainable manner.

Selected Consolidated Statements of Financial Position items

The following table sets forth our selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,		
	2020	**2021**	**2022**
	(RMB in thousands)		
Non-current assets	36,019	120,082	133,725
Current assets	687,961	1,098,258	889,521
Current liabilities	7,718,910	10,378,225	11,510,216
Net current liabilities	(7,030,949)	(9,279,967)	(10,620,695)
Non-current liabilities	12,938	64,479	57,358
Net liabilities	**(7,007,868)**	**(9,224,364)**	**(10,544,328)**

We recorded net current liabilities of RMB7,030.9 million, RMB9,280.0 million and RMB10,620.7 million as of December 31, 2020, 2021 and 2022, respectively. Our net current liabilities increased from RMB7,030.9 million as of December 31, 2020 to RMB9,280.0 million as of December 31, 2021, primarily due to an increase of RMB2,336.8 million in redeemable shares and financial liabilities for redemption obligations, partially offset by an increase of RMB284.3 million in cash and cash equivalents. Our net current liabilities increased from RMB9,280.0 million as of December 31, 2021 to RMB10,620.7 million as of December 31, 2022, primarily due to an increase of RMB1,318.5 million in redeemable shares and financial liabilities for redemption obligations, and a decrease of RMB241.9 million in cash and cash equivalents. Our current assets as of December 31, 2020, 2021 and 2022 were primarily attributable to cash and cash equivalents, prepayments, deposits and other receivables. Our current liabilities as of December 31, 2020, 2021 and 2022, were primarily attributable to redeemable shares and financial liabilities for redemption obligations and other payables and accrued expenses.

We recorded net liabilities of RMB7,007.9 million, RMB9,224.4 million and RMB10,544.3 million as of December 31, 2020, 2021 and 2022, respectively. The increase in net liabilities is primarily due to the effects of grant of re-designation rights to a shareholder on redeemable shares, recognition of financial liabilities for redemption obligations, re-designation of ordinary shares and preferred shares into Series D-3 redeemable shares and operating losses. See Note 18 to the Accountants' Report in Appendix I to this document for details of our redeemable shares and financial liabilities for redemption obligations. Upon **[REDACTED]**, the redemption obligation related to the financial liabilities will expire and our redeemable shares will be automatically converted into ordinary shares. The liabilities will be reclassified to equity as a result of the **[REDACTED]** with no gain or loss. After **[REDACTED]**, we do not expect to recognize any further gain or loss and we will return to a net asset position from a net liability position.

Selected Consolidated Cash Flow Statements Items

The following table sets forth a summary of our cash flows for the periods indicated, respectively:

	Year Ended December 31,		
	2020	**2021**	**2022**
	(RMB in thousands)		
Net cash used in operating activities	(238,185)	(794,022)	(201,331)
Net cash generated from/(used in) investing activities	42,144	(17,463)	(65,507)
Net cash generated from/(used in) financing activities	842,306	1,113,633	(24,434)
Net increase/(decrease) in cash and cash equivalents	646,265	302,148	(291,272)
Cash and cash equivalents at the beginning of the year	**41,205**	**626,031**	**910,357**
Effect of foreign currency exchange rate changes	(61,439)	(17,822)	49,351
Cash and cash equivalents at the end of the year	**626,031**	**910,357**	**668,436**

During the Track Record Period and up to the Latest Practicable Date, we have financed our operating and investing activities mainly through cash from historical equity financing activities. As of December 31, 2020, 2021 and 2022, our cash and cash equivalents were RMB626.0 million, RMB910.4 million and RMB668.4 million, respectively.

We recorded net operating cash outflow of RMB238.2 million, RMB794.0 million and RMB201.3 million in 2020, 2021 and 2022, respectively, mainly due to net losses incurred during our daily operations. In particular, we incurred substantial selling and marketing expenses as we strategically invested in our brand awareness, user growth and user engagement to capture the opportunities, and attract a larger user base that can result in greater profitability in the future. We also heavily invested in research and development activities to improve our technology infrastructure and innovate our offerings. The increase in the operating cash outflow in 2021 compared to the operating cash outflow in 2020 is mainly attributable to increased losses incurred primarily driven by increase in selling and marketing expenses, partially offset by decrease in working capital. The decrease in the operating cash outflow in 2022 compared to the operating cash outflow in 2021 is mainly attributable to decreased losses primarily driven by decrease in selling and marketing expenses, partially offset by increase in working capital.

We believe that our liquidity requirements will be satisfied by a combination of the cash generated from operating activities, the **[REDACTED]** received from the **[REDACTED]**, and other funds raised from the capital markets from time to time. We currently do not have any plans for material additional external financing.

KEY FINANCIAL RATIOS

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

	Year Ended December 31,		
	2020	**2021**	**2022**
Revenue growth	604.3%	157.3%	30.1%
Gross margin	79.9%	85.2%	86.3%
Net loss margin	(116.3%)	(103.4%)	(30.5%)
Adjusted loss margin (non-IFRS measure)(1)	(93.5%)	(78.0%)	(3.0%)

Note:

(1) Adjusted net loss (non-IFRS measure) as a percentage of revenue for the periods indicated.

KEY OPERATING DATA

The following table sets forth the key operating data for the periods indicated:

	Year Ended December 31,		
	2020	**2021**	**2022**
Average MAUs (in millions)(1)	20.8	31.6	29.4
Average DAUs (in millions)(1)	5.9	9.3	9.5
Average monthly paying users (in thousands)(1)	929	1,655	1,681
Paying ratio(2)	4.5%	5.2%	5.7%
Average monthly revenues per paying user (ARPPU) (RMB)(1)	43.5	60.5	75.3

Notes:

(1) For the definitions, see "Glossary of technical terms."

(2) Paying ratio is calculated by dividing the number of average monthly paying users by the number of average MAUs.

We experienced substantial growth in our average MAUs, average DAUs, average monthly paying users and average monthly revenues per paying user in 2020 and 2021 due to our continued product innovations and increased market recognition, supported by our strategic focus on growing our user base via investing in our brand. As a result of such efforts, we were able to expand our user base and achieved leading position in the open-ended social networking industry in China. Starting in 2022, we seek to balance our user growth and user quality characterized by improved monetization capabilities to better capture future growth opportunities in a sustainable manner. We believe such balanced user growth strategy has enabled us to increasingly identify more engaged users with high monetization potentials, demonstrated through the growth of our average monthly paying users, paying ratio and ARPPU in 2022 compared to that in 2021. On the other hand, this strategic shift has inevitably caused the decrease in certain metrics, such as our average MAUs in 2022 compared to that in 2021.

The following table sets forth the key operating data by quarter during the Track Record Period:

	For the Three Months Ended											
	2020				2021				2022			
	March 31	June 30	September 30	December 31	March 31	June 30	September 30	December 31	March 31	June 30	September 30	December 31
Average MAUs (in millions)(1)	15.6	16.0	23.5	28.1	32.3	31.9	32.8	29.2	33.4	29.6	28.2	26.5
Average DAUs (in millions)(1)	4.4	4.9	6.5	7.8	8.7	9.2	9.6	9.5	10.4	9.6	9.3	8.9
Average monthly paying users (in thousands)(1)	721.0	756.0	1,038.6	1,201.4	1,544.5	1,710.3	1,709.1	1,657.8	1,893.0	1,700.4	1,661.1	1,469.1
Average monthly revenues per paying user (RMB)(1)(2)	30.6	43.7	47.5	47.7	48.6	64.3	68.2	59.8	62.9	71.9	79.9	90.0

Note:

(1) For the definitions, see "Glossary of technical terms."

(2) Quarterly average monthly revenues per paying user numbers are based on unaudited management accounts.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2022, which is the end date of the periods reported on in the Accountants' Report included in Appendix I to this document, and there is no event since December 31, 2022 that would materially affect the information as set out in the Accountants' Report included in Appendix I to this document.

[REDACTED]

[REDACTED] EXPENSE

Based on the mid-point **[REDACTED]** of HK$**[REDACTED]**, the total estimated **[REDACTED]** expenses in relation to the **[REDACTED]** is approximately RMB**[REDACTED]**, representing **[REDACTED]** of the total **[REDACTED]** from the **[REDACTED]** of approximately HK$**[REDACTED]**. **[REDACTED]** expenses of RMB**[REDACTED]** were incurred and charged to our consolidated statements of profit or loss and other comprehensive income during the Track Record Period. **[REDACTED]** expenses of RMB**[REDACTED]** were incurred and capitalized during the Track Record Period. We estimate that we will further incur **[REDACTED]** expenses of RMB**[REDACTED]** of which RMB**[REDACTED]** will be charged to our consolidated statement of profit or loss and other comprehensive income for the year ending December 31, 2023. The balance of approximately RMB**[REDACTED]**, which mainly includes **[REDACTED]**, is expected to be accounted for as a deduction from equity upon the completion of the **[REDACTED]**.

The table below sets forth a breakdown of the above estimated total **[REDACTED]** expenses (based on the **[REDACTED]**).

	RMB in millions
[REDACTED]-related expenses	**[REDACTED]**
Non-**[REDACTED]**	
Fees and expenses of legal advisors and accountants	**[REDACTED]**
Other fees and expenses	**[REDACTED]**
Subtotal	**[REDACTED]**
Total [REDACTED]	**[REDACTED]**

USE OF [REDACTED]

Assuming an **[REDACTED]** of HK$**[REDACTED]** per Share (being the mid-point of the **[REDACTED]** of between HK$**[REDACTED]** and HK$**[REDACTED]** per Share), we estimate that we will receive net **[REDACTED]** of HK$**[REDACTED]** from the **[REDACTED]** after deducting the **[REDACTED]** and other estimated **[REDACTED]** expenses paid and payable by us in connection with the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised. In line with our strategies, we intend to use our **[REDACTED]** from the **[REDACTED]** for the purposes and in the amounts set forth below:

i. Approximately **[REDACTED]**% (approximately HK$**[REDACTED]**) of the net **[REDACTED]** is expected to be used for research and development to improve and upgrade our proprietary technologies, improve our data analytics capability, and develop technologies including AI-assisted natural language processing, AI algorithm, and AI-assisted visual and acoustic content generation in order to facilitate our strategies of continuing to develop and invest in innovative technologies and social metaverse.

ii. Approximately **[REDACTED]**% (approximately HK$**[REDACTED]**) of the net **[REDACTED]** is expected to be used to further expand and retain our user base and strengthen our brand to promote sustainable and high-quality user growth in order to facilitate our strategy of user growth and retention.

iii. Approximately **[REDACTED]**% (approximately HK$**[REDACTED]**) of the net **[REDACTED]** is expected to be used to develop creative products and features to engage our users and further enhance our monetization potential.

iv. Approximately **[REDACTED]**% (approximately HK$**[REDACTED]**) of the net **[REDACTED]** is expected to be used for working capital and general corporate purposes.

See "Future plans and use of **[REDACTED]**" for further details.

OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the **[REDACTED]**, Ms. Lu Zhang, our Founder, Chairwoman of the Board, executive Director and Chief Executive Officer, will be interested in **[REDACTED]** Shares via trust through Soulgate Holding Limited ("**Soulgate Holding**"). Assuming the Presumptions, immediately after the completion of the **[REDACTED]**, Ms. Lu Zhang's shareholding in the Company represents approximately **[REDACTED]**% of our issued Shares and Ms. Zhang will control approximately **[REDACTED]**% of the voting power of our Company through Shares controlled by her directly and pursuant to the Voting Proxy. For details of the Voting Proxy, please refer to the section headed "History, Development and Corporate Structure — Voting Proxy" of this document. As such, each of Ms. Lu Zhang and Soulgate Holding will be a Controlling Shareholder of our Company after the **[REDACTED]**.

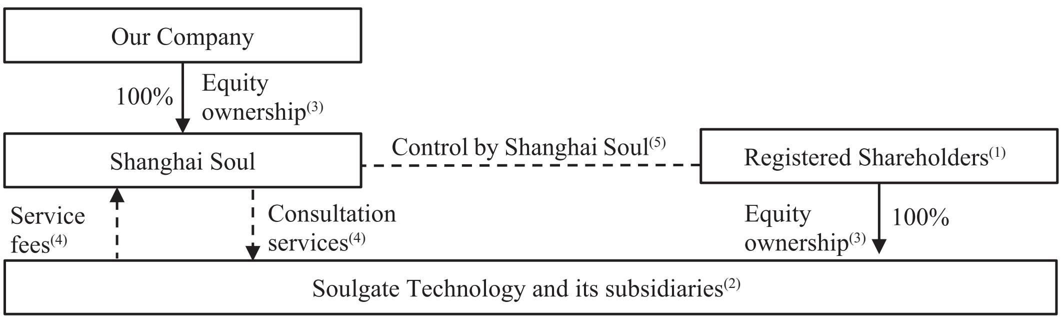
[REDACTED] INVESTORS

We received multiple series of equity financing from our Pre-**[REDACTED]** Investors to support our expanding business operations. See "History, Development, and Corporate Structure— Pre-**[REDACTED]** Investment" for details.

CONTRACTUAL ARRANGEMENTS

Due to foreign investment restrictions under PRC laws, our Company is unable to own or hold any direct equity interest in our Consolidated Affiliated Entities conducting our businesses. Rather, we control these entities through Contractual Arrangements, through which we are able to derive substantially all economic benefits enjoyed by the Registered Shareholders from our Consolidated Affiliated Entities. See "Contractual Arrangements" for details.

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



Notes:

(1) The current Registered Shareholders of Soulgate Technology are Ms. Lu Zhang (our Director) (as to 83.98%), Beijing Mingjun Equity Investment Management Co., Ltd.* (北京明雋股權投資管理有限公司) (a PRC investment vehicle of our Pre-**[REDACTED]** Investor, Mingjun Capital Limited) (as to 4.87%), Shanghai Jianming Enterprise Management Co., Ltd.* (上海簡鳴企業管理有限公司) (a PRC investment

vehicle of our Pre-**[REDACTED]** Investor, J&M Capital Limited) (as to 4.78%), Zhuanlian Technology (Shenzhen) Co., Ltd. (專聯科技（深圳）有限公司) (a PRC investment vehicle of our Pre-**[REDACTED]** Investor, Ventek Limited) (as to 3.54%) and Shanghai Moliang Venture Investment Center (Limited Partnership) (上海魔量創業投資中心（有限合夥）) (a PRC investment vehicle of our Pre-**[REDACTED]** Investor, MFUND, L.P.) (as to 2.83%). For details of the Pre-**[REDACTED]** Investors, see "History, Development, and Corporate Structure".

(2) These constitute our Consolidated Affiliated Entities.

(3) "—>" denotes direct legal and beneficial ownership in the equity interests.

(4) "----->" denotes contractual relationship.

(5) "-----" denotes the control by the WFOE over the Registered Shareholders and Soulgate Technology through (i) powers of attorney to exercise all shareholders' rights in Soulgate Technology, (ii) exclusive options to acquire all or part of the equity interests in Soulgate Technology and (iii) equity pledges over the equity interests in Soulgate Technology.

[REDACTED]

FUTURE DIVIDENDS

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends. Dividend distribution to our shareholders is recognized as a liability in the period in which the dividends are approved by our shareholders or Directors, where appropriate. During the Track Record Period, no dividends have been paid or declared by us.

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorize payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. As advised by our legal adviser as to Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business.

RECENT DEVELOPMENTS

Recent Regulatory Development

Cybersecurity and Internet Data Security

The important PRC laws and regulations on data protection, data privacy, and/or information security currently in effect that we are subject to include, among others, the Cyber Security Law (《中華人民共和國網絡安全法》), which took effect on June 1, 2017; Personal Information Protection Law (《中華人民共和國個人信息保護法》), or the PIPL, which took effect on November 1, 2021; and Data Security Law (《中華人民共和國數據安全法》), which took effect on September 1, 2021. We may also be subject to more stringent personal information protection laws, regulations, and requirements in China in the near future given the recent legislative developments in this field. The Cybersecurity Review Measures (《網絡安全審查辦法》) that took effect from February 15, 2022 stipulates that an internet platform operator who possesses more than one million users' personal information must report to the Office of Cybersecurity Review for a cyber security review in the event of a "foreign" listing (國外上市). As informed during the consultation with the CCRTCC on June 16, 2022, listing in Hong Kong is not deemed as foreign listing within the meaning of the Cybersecurity Review Measures. Based on such, our PRC Legal Adviser is of the view that the PRC subsidiaries of the Group are not required to apply for cybersecurity review according to Article 7 of the Cybersecurity Review Measures and could proceed with the Listing without a voluntary application for cybersecurity review if no notice from the regulatory authority regarding cybersecurity review is received. The CAC publicly solicited opinions on the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Data Security Regulations, on November 14, 2021, which requires data processors to apply for cyber security review when, among other conditions, their intended **[REDACTED]** in Hong Kong or other data processing activities affect or may affect national security. However, the Draft Data Security Regulations provide no further explanation or interpretation of what constitutes "affects or may affect national security," and the PRC government authorities may have wide discretion in interpreting this phrase. As a result, there remains substantial uncertainty as to whether our **[REDACTED]** in Hong Kong will be subject to cybersecurity review. As of the Latest Practicable Date, the Draft Data Security Regulations had not been formally adopted and we had not been informed by CAC of any requirement to file for approval for this **[REDACTED]**. It is uncertain when the final regulation will be issued and take effect, how it will be enacted, interpreted and implemented, and whether or to what extent it will affect us. If the Draft Data Security Regulations are adopted into law in the future, we may become subject to enhanced cybersecurity review, or the PRC government authorities may retroactively apply and implement such draft regulations by conducting a cybersecurity review over us in connection with this **[REDACTED]**. To mitigate the potential impact of any such regulatory changes, we will closely monitor and assess any development in the rule-making process, maintain ongoing dialog with relevant government authorities as necessary and in due course, we will also rectify, adjust, and optimize our data practices in a timely manner to keep pace with regulatory development.

In addition, the Administrative Provisions on Internet Information Service Algorithm Recommendation (《互聯網信息服務算法推薦管理規定》), or Algorithm Recommendation Provisions, that took effect on March 1, 2022 implements classification and hierarchical management for algorithm recommendation service providers based on various criteria. As of the Latest Practicable Date, we had taken measures to comply with the Algorithm Recommendation Provisions to the extent applicable to our business, but we cannot guarantee that our compliance measures will be sufficient.

The CAC promulgated the Measures for the Security Assessment of Data Cross-border Transfer (《數據出境安全評估辦法》), or the Security Assessment Measures, which came into effect on September 1, 2022. The Security Assessment Measures specify the circumstances where a cross-border data transfer is subject to security assessment. Specifically, a data processor needs to apply for a security assessment of its cross-border data transfer activities in any of the following situations: (i) it provides important data to a recipient outside of the PRC; (ii) it is a critical information infrastructure operator or it processes the personal information of more than one million individuals and it provides personal information to a recipient outside of the PRC; (iii) it has exported the personal information of more than 100,000 individuals in aggregate or the sensitive personal information of more than 10,000 individuals in aggregate since January 1 of the previous year; or (iv) other circumstances subject to a security assessment as required by the CAC. The Security Assessment Measures also provide specific procedures for a security assessment, as well as important factors to be considered in conducting security assessments.

On June 14, 2022, the CAC promulgated the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》) (2022 Version) which came into effect on August 1, 2022 and replaced the 2016 version of such regulation. According to the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》) (2022 Version), more specific requirements are raised with respect to the duties of the provider of application information services on user identity authentication, information content review and management, among others. On June 27, 2022, the CAC promulgated the Provisions on the Administration of Internet Users' Account Information (《互聯網用户帳號信息管理規定》) which came into effect on August 1, 2022 and set forth the requirements for the registration and use of Internet users' account information by Internet users and the administration of such information by Internet information service providers.

The interpretation and application of the aforementioned laws and regulations and any new related laws and regulations in the future are often uncertain, and our practice may become inconsistent with them. Our Directors and PRC Legal Adviser are of the view that during the Track Record Period and up to the Latest Practicable Date, (i) we had not been and were not involved in any non-compliance incident related to cybersecurity, data security and personal data protection in the PRC, which, individually or in the aggregate, had a material and adverse impact on the business operations and financial results of the Group; (ii) the aforementioned PRC laws and regulations currently in effect are not expected to have a material adverse effect on the Group's overall operation; and (iii) if the Draft Data Security Regulations were implemented in their current forms, there would be no material impediments for us to comply with the requirements under the Draft Data Security Regulations in all material aspects. Nevertheless, there are uncertainties regarding the final version, date of enactment or entry into force, final interpretation and implementation and other aspects of such regulations and we are unable to assure you that the relevant authorities will not take a different position.

Minor protection

According to the Minors Protection Law (《中華人民共和國未成年人保護法》) latest amended in October 2020, it is illegal to produce, reproduce, publish, release and disseminate books, newspapers and periodicals, films, radio and television programs, stage art works, audio-visual products, electronic publications or network information that promote obscenity, eroticism, violence, cults, superstitions, gambling, suicide seduction, terrorism, separatism and extremism and other content are harmful to the physical and mental health of minors. Our Directors and PRC Legal Adviser are of the view that (i) during the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any non-compliance incident related to minor protection in the PRC, which, individually or in the aggregate, had a material and adverse impact on the business operations and financial results of the Group and (ii) the Minors Protection Law is not expected to have a material adverse effect on the Group's overall operation.

Overseas Listing

On July 6, 2021, the General Office of the CPC Central Committee and the General Office of the State Council of the PRC promulgated the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》) which call for the enhanced administration and supervision of offshore-listed China-based companies (中概股公司). The Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law propose to revise the relevant regulation governing the issuance and listing of shares by companies outside of mainland China and clarify the responsibilities of competent domestic industry regulators and government authorities.

On February 17, 2023, the CSRC released the Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**"), which together with relevant supporting guidelines thereof, will become effective on March 31, 2023 (the "**Implementation Date**"). The Trial Measures stipulate that domestic companies that seek to offer and list securities overseas, both directly and indirectly, shall complete the filing procedures and report relevant information to the CSRC. The Trial Measures also provide that if the issuer meets both of the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering and listing of securities subject to the filing requirements set forth under the Trial Measures: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as reported in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the primary parts of the issuer's business activities are conducted in mainland China, or its main places of business are located in mainland China, or the majority of its senior management staff in charge of its business operation and management are PRC citizens or have their usual places of residence located in mainland China.

On February 17, 2023, the CSRC released the Notice on the Arrangements of the Filing Management for Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which stipulates that, as of the Implementation Date, domestic companies that had submitted valid overseas offering and listing applications but had not obtained approval from overseas regulatory authorities or overseas stock exchanges, could reasonably arrange the timing for submitting filing applications to the CSRC, and shall complete such filing prior to their overseas offering and listing. On the same day, the CSRC held a press conference for the release of the Trial Measures, which, among others, clarified that the CSRC will solicit opinions from relevant regulatory authorities and complete the overseas listing filing of companies with contractual arrangements which duly meet the compliance requirements, and support the development and growth of such companies by enabling them to utilize both markets and both kinds of resources.

As of the Latest Practicable Date, we had not received any negative enquiries, comments, instructions, guidance or other concerns from any PRC competent authorities (including the CSRC) with respect to this **[REDACTED]** or our Contractual Arrangement.

Based on the due diligence work conducted by the Joint Sponsors with the assistance of their legal adviser as to PRC laws, nothing material has come to the Joint Sponsors' attention that would reasonably cause the Joint Sponsors, who are not legal experts, to cast doubt on the above views of the Directors and the PRC Legal Adviser in this "— Recent Regulatory Development".

IMPACT OF COVID-19 ON OPERATIONS

Although the COVID-19 pandemic has caused general business disruption in China and the rest of the world, we have experienced an increase in our operational performance, user base and user engagement since the first half of 2020. In 2020 and 2021, as people had more disposable time and attention span at home, they were more likely to start using our app, extend their time-spent and cultivate more connections. During that period, we have witnessed growth in our operational performance and financial results. Our Directors are of the view that our historical growth momentum will continue even after the COVID-19 pandemic has been contained in China as we continue to invest in user growth and user engagement and develop more creative features on the Soul app to capture the substantial opportunities in the industry and strengthen competitive moats.

China began to modify its COVID policy at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022. There were an increasing number of cases in many cities during this time which had a temporary impact on user activity. There remains uncertainty as to the future impact of the virus, especially in light of this change in policy. The extent to which the pandemic impacts our results of operations going forward will depend on future developments which are highly uncertain and unpredictable, including the frequency, duration and extent of outbreaks of COVID-19, the appearance of new variants with different characteristics, the effectiveness of efforts to contain or treat cases, and future actions that may be taken in response to these developments. For additional details, see "Risk Factors—Risks Relating to Our Business and Industry—The ongoing outbreak of COVID-19 could adversely affect our business, results of operations and financial condition."