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## Post Hearing Information Pack of



# VIXTEL TECHNOLOGIES HOLDINGS LIMITED

## 飛思達科技控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

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**VIXTEL TECHNOLOGIES HOLDINGS LIMITED**  
**飛思達科技控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**[REDACTED]**

**Number of [REDACTED] : [REDACTED] Shares (subject to the [REDACTED])**  
**[REDACTED] : Not more than HK\$[REDACTED] per Share and expected to be not less than HK\$[REDACTED] per Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund on final pricing)**  
**Nominal value : HK\$0.01 per Share**  
**[REDACTED] : [REDACTED]**

***Sole Sponsor and [REDACTED]***



**KGI Capital Asia Limited**

**[REDACTED]**

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Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this document, and in particular, the risk factors set out in "Risk Factors".

Pursuant to the termination provisions contained in the [REDACTED], the [REDACTED], on behalf of the [REDACTED], has the right in certain circumstances, in its absolute discretion, to terminate the obligation of the [REDACTED] pursuant to the [REDACTED] at any time prior to 8:00 a.m. on the [REDACTED]. Further details of the terms of the termination provisions are set out in "[REDACTED] – Grounds for Termination". It is important that you refer to that section for further details.

**[REDACTED]**

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## CHARACTERISTICS OF GEM

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*GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.*

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**EXPECTED TIMETABLE<sup>(1)</sup>**

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**[REDACTED]**

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this document and should be read in conjunction with the full text of this document. Since this is a summary, it does not contain all the information that may be important to you. You should read the entire document, including our financial statements and the accompanying notes, before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks of investing in the [REDACTED] are set forth in “Risk Factors”. You should read that section carefully before you decide to invest in the [REDACTED].*

## OVERVIEW

We are a market leader in China’s application performance management, or APM, industry. According to the F&S Report, in terms of the contract value in 2015, we are the third largest APM products and services provider in China with a market share of approximately 10.4%, and the largest on-premise APM products and services<sup>1</sup> provider in China with a market share of approximately 24.0%. According to the F&S Report, we are also the only China-based APM products and services provider which provides solutions to a commodity exchange in China.

APM is the monitoring and management of performance and availability of software applications and networks. It is a branch of IT system management that focuses on monitoring frontend performance and making backend system completely visible to maintain application and network performance at an appropriate and expected level. Since our inception in 2006, we have been engaging primarily in the design, development, implementation and support of integrated APM solutions that enable our customers to manage and monitor the performance of their applications and networks. We offer our products and services primarily through our two proprietary platforms, namely the NetVista platform and the Trade QoS system, both of which feature comprehensive management and monitoring of application or network performance at our customers’ premises, and help our customers make real-time and data-driven decisions to improve their business and IT performance.

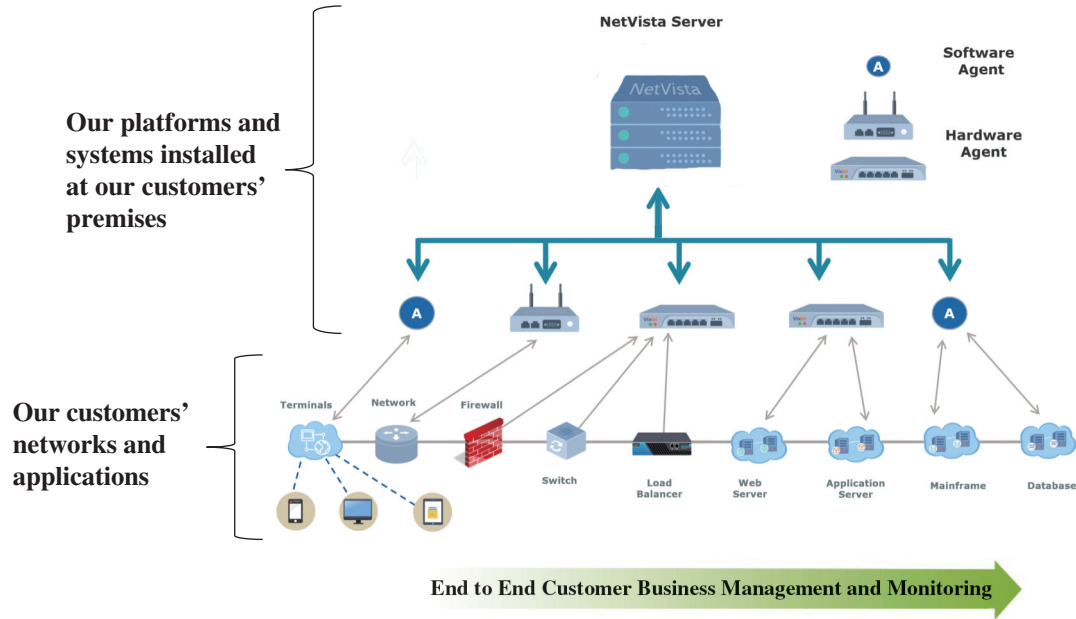
To enable our customers to manage and monitor the performance of their applications and networks, we deploy our software code, called software agents, to our customers’ applications and related IT infrastructures, such as browsers, servers, and mobile devices. We also deploy hardware agents among key positions inside our customers’ network. These agents configure automatically to their IT environment and collect and send performance data to our NetVista platform. Data collected from our agents is stored in our highly secured database installed at our customers’ premises and organized for analysis through our dashboard interface. Users can easily configure to monitor their key metrics and quickly make queries on our dashboard interface. The interface can generate a real-time data report in a range of visual and graphical formats, which give users visibility into the performance of their applications and networks, pinpoint root cause of underlying problems and provide diagnosis and solution. With this visibility, our customers can get real-time insights into their performance data and significantly improve the quality of their applications and networks. The following diagram illustrates the

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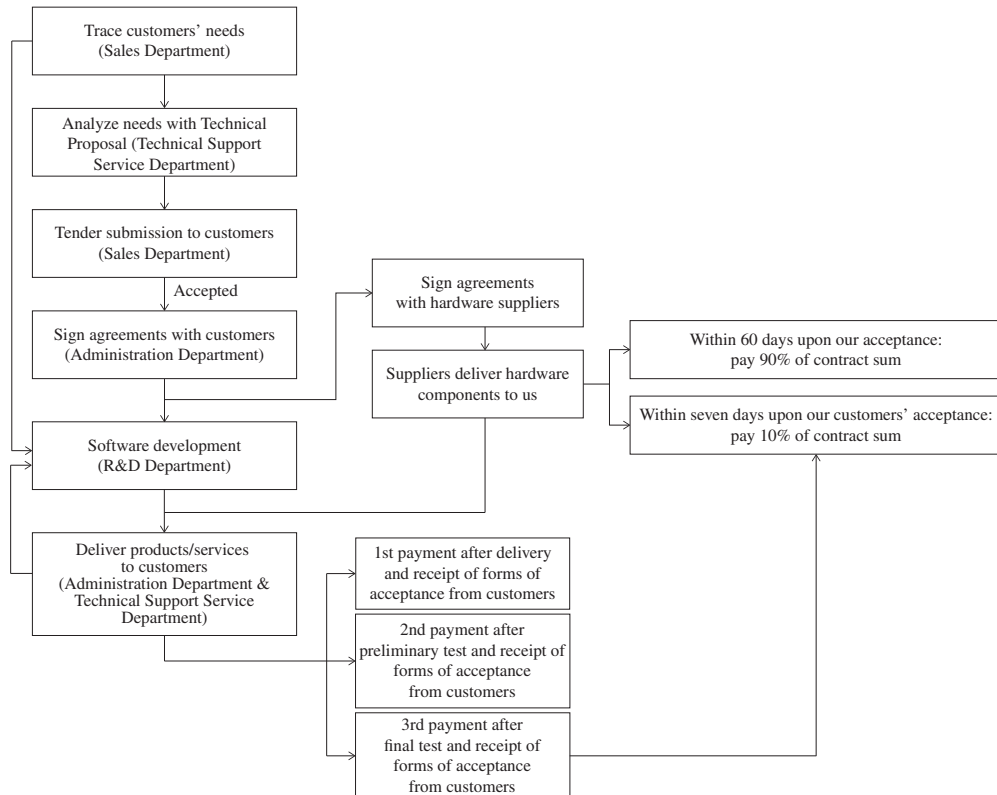
<sup>1</sup> The APM market contains two segments, on-premise APM services and SaaS-based APM services. In the year of 2015, the SaaS-based APM market occupied approximately 56.6% of the whole APM market, while on-premise APM stood for approximately 43.4%. See “Industry Overview” for more details.

## SUMMARY

basic use of our APM products and services for our customers, which collects performance data from the end users and networks via our agents, transmits the data to our customers' network centers for aggregation, analyzes through our platforms and presents such analysis and performance data to our customers for their monitoring and management purposes.



The following diagram illustrates our business model and summarizes a typical workflow of our projects, which includes the relevant departments participating in a project, the flows of our products and services and typical payment schedules for our customers and suppliers.





## SUMMARY

### OUR PRODUCTS AND SERVICES

Our APM product and service offerings include primarily (1) system integration services, (2) software development services, (3) technical services, and (4) sales of standard hardware and software. During the Track Record Period, our total revenue from our APM products and services amounted to approximately RMB41.0 million, RMB51.5 million and RMB26.0 million for 2014, 2015 and the five months ended May 31, 2016, respectively.

- *System integration services.* We provide system integration services by tailor-making our APM products to integrate the newly designed version with our customers' specific systems and network environment, allowing our customers to better manage and monitor their applications and networks.
- *Software development services.* Our software development services typically involve developing customized supporting software for upgrade and expansion of the APM products already integrated with our customers' systems and networks.
- *Technical services.* Our technical services include operational support for our APM products, system maintenance, network analysis and optimization, and research study of specific topics on application and network performance.
- *Sales of standard hardware and software.* We from time to time sell hardware we purchased from third parties and standard APM products to customers who do not require tailor-making services.

System integration services were our largest source of revenue during the Track Record Period. The following table sets forth a breakdown of our revenue by service type for the periods indicated.

	Year ended December 31,				Five months ended May 31,			
	2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)							
System integration services	24,912	60.8	26,740	51.9	9,487	51.0	20,079	77.3
Software development services	5,852	14.3	6,994	13.6	3,863	20.7	2,559	9.9
Technical services	9,386	22.9	15,080	29.3	4,177	22.4	2,204	8.5
Sales of standard hardware and software	841	2.0	2,715	5.2	1,091	5.9	1,126	4.3
<b>Total</b>	<b>40,991</b>	<b>100.0</b>	<b>51,529</b>	<b>100.0</b>	<b>18,618</b>	<b>100.0</b>	<b>25,968</b>	<b>100.0</b>

## SUMMARY

The following table sets forth, net of estimated value-added tax, our backlog for each of the periods indicated.

	As of December 31,		As of May 31,			
	2014	2015	2016			
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
System integration services	7,943	52.4	12,253	46.8	7,209	35.3
Software development services	3,831	25.3	2,559	9.8	941	4.6
Technical services	1,974	13.0	1,771	6.8	2,535	12.4
Sales of standard hardware and software	1,408	9.3	9,574	36.6	9,743	47.7
<b>Total</b>	<b>15,156</b>	<b>100.0</b>	<b>26,157</b>	<b>100.0</b>	<b>20,428<sup>(1)</sup></b>	<b>100.0</b>

(1) It is expected that approximately RMB16.6 million of the backlog as of May 31, 2016 will be recognized as revenue by the end of 2016 and the remainder will be recognized as revenue by the end of 2017.

In a given period, our backlog at the beginning of the period plus our contract value for new contracts entered into during the period less our recognized revenue for the period equals our backlog at the end of the period. Backlog is not an audited measure defined by HKFRSs and might not be indicative of our future performance. For more information about our backlog and contract value during the Track Record Period, see “Business – Sales and Marketing – Our Backlog and New Contract Value” beginning on page 133 of this document.

## OUR PLATFORMS

As of the Latest Practicable Date, we had launched two different platforms on which we offer our APM products and services, including (1) NetVista platform, which manages and monitors the real-time performance and end user experience of applications and networks and (2) Trade QoS system, which manages the trading performance for trading platforms such as stock exchanges or commodity exchanges. We also expect to commercialize our cloud-based SaaS delivery model in the first half of 2017, which allows customers to subscribe for and access our APM services via cloud based on their actual needs rather than purchasing and self-maintaining a set of physical APM system at their premises.

## KEY SERVICE PROCESS

We receive purchase orders primarily through (1) new customers sourced by our sales department, (2) our recurring customers, and (3) open tendering processes and customers’ invitations for bidding. The service specialists we assign to station at the premises of our major customers revert to our R&D department on a weekly basis with specific requests arising from our customers or issues encountered by them, in addition to providing on-site technical support, which constitutes an important basis for us to closely follow the latest industrial trends and customer preferences, as well as to continuously upgrade and expand our products and services. We typically enter into standard sales agreements with our customers prior to our

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## SUMMARY

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provision of products and services. Once the products are in place, we assist our customers with implementation and integration of our products into their systems, as well as in conducting preliminary and final tests.

### SALES AND MARKETING

During the Track Record Period, we primarily conducted direct sales of our APM products and services. As of May 31, 2016, our sales department consisted of 10 members assigned to station in Beijing, Shanghai, Guangzhou, Guangdong province, Changsha, Hunan province, Nanchang, Jiangxi province or Guiyang, Guizhou province to promote our products and services targeting customers from different industries and also to work closely with our potential and existing customers to respond to their inquiries and demands.

We have two sales channels which can be broadly categorized as direct sales to end customers and sales through channel partners. Based on our contract value, for 2014, 2015 and the five months ended May 31, 2016, 91.1%, 90.0% and 87.9% of our projects were implemented for state-owned enterprises. During the Track Record Period, direct sales represented approximately 91.1%, 91.0% and 84.0% of our total revenue for each period in 2014, 2015 and the five months ended May 31, 2016, respectively. Our direct sales can be further broken down into those that are conducted through open tendering processes and those which are not.

We participate in open tendering processes from time to time, particularly where customers are public bodies or state-owned enterprises. During the Track Record Period, sales through open tendering processes represented 34.0%, 21.3% and 18.5% of our total revenue for each period in 2014, 2015 and the five months ended May 31, 2016.

The following table sets forth details of our successful tenders during the Track Record Period.

	Year ended December 31,		Five months
	2014	2015	ended May 31,
			2016
Number of tenderings participated	47	45	20
Successful tenders	26	23	10
Success rate	55.3%	51.1%	50.0%

We usually do not go through the open tendering process when we sell our products and services directly to privately-held companies or offer our upgrades or expansion services for our products and services provided previously to state-owned enterprises through the open tendering processes. In 2014, 2015 and the five months ended May 31, 2016, direct sales without the open tendering processes represented 57.1%, 69.7% and 65.5% of our total revenue for each period, respectively.

## **SUMMARY**

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During the Track Record Period, we also sold products and services through our channel partners, which are in general technology companies that would resell our products directly to their end customers as per such end customers' prior orders. In 2014, 2015 and the five months ended May 31, 2016, sales to our channel partners represented 8.9%, 9.0% and 16.0% of our total revenue for each period, respectively.

### **PRICING POLICY**

Our price for products and services is generally determined on the basis of cost plus margin for each project, taking into consideration, among other factors, (1) features and functions of the products, (2) the costs to carry out the project with reference to the estimated time to be spent and the scale of the project, such as the number of employees that will be involved in the project and the cost of hardware components required for the project, (3) the prevailing market prices for similar products offered in the market, (4) the potential future business opportunities with the customers, (5) our relationship with the customer, (6) our business strategy, and (7) whether the products are customized.

### **AFTER-SALES SERVICES**

As of May 31, 2016, our technical support service department consisted of 46 service specialists located in 25 provinces and regions in China. Through our experienced service specialists, we provide a variety of after-sales services, including software and hardware warranty and technical support in relation to the implementation of our APM products and services. Of our service specialists 41 with relevant industry-specific expertise were assigned to station at the premises of our major customers free of charge to provide on-site technical support. Our warranty period is typically one year commencing upon the completion of the projects. For more information about our after-sales services, see "Business – After-sales Services" beginning on page 137 of this document.

### **OUR CUSTOMERS**

Our customers include primarily state-owned and privately-run telecommunications operators, cable television providers, network equipment manufacturers, electric utilities companies and a commodity exchange in China. We have developed long-term and stable business relationships with these large customers. We also accept walk-in customers who purchase or subscribe for our standard products and services. The total number of our customers was 77, 101 and 115 as of December 31, 2014, 2015 and May 31, 2016, respectively.

Our engagements with our customers are on a project basis and are generally non-recurring in nature. We do not enter into long-term agreements with any of our customers and generally only enter into sales agreements on a project basis, the duration of which is generally up to one year. For risks related to the non-recurring nature of our projects, see "Risk Factors – Risks Relating to Our Business and Industry – Our revenue is mainly derived from projects which are not recurring in nature and any decrease in the number of projects would affect our operation and financial results" on page 39 of this document.

## SUMMARY

We derived a majority of our revenue from telecommunications operators, including state-owned telecommunications operators in China, during the Track Record Period. The following table sets forth a breakdown of our revenue by customer type for the periods indicated.

	Year ended December 31,				Five months ended May 31,			
	2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)							
Telecommunications operators	35,918	87.6	42,699	82.9	16,547	88.9	21,062	81.1
Cable television providers	725	1.8	1,681	3.2	295	1.6	725	2.8
Commodity exchange and others	4,348	10.6	7,149	13.9	1,776	9.5	4,181	16.1
<b>Total</b>	<b>40,991</b>	<b>100.0</b>	<b>51,529</b>	<b>100.0</b>	<b>18,618</b>	<b>100.0</b>	<b>25,968</b>	<b>100.0</b>

For more information about our customers, see “Business – Our Customers” beginning on page 138 of this document.

### OUR RELATIONSHIP WITH THE CHINA’S LARGEST TELECOM GROUP

According to the F&S Report, the telecommunications industry represented approximately 42.0% of the total on-premise APM market in China in 2015, and our Group has been a market leader in this industry, ranking first in China’s APM market for telecommunications operators in 2015 in terms of our contract values. According to the F&S Report, the PRC telecommunications industry is dominated by a small number of large state-owned telecommunications operators and our relationship with the China’s Largest Telecom Group is not uncommon in the APM industry. Accordingly, the revenue derived from the provincial subsidiaries of the China’s Largest Telecom Group in aggregate accounted for approximately 82.2%, 72.6% and 71.4% of our total revenue for 2014, 2015 and the five months ended May 31, 2016, respectively, reflecting the fact that the China’s Largest Telecom Group has been awarding projects to us. Our business with each of the provincial subsidiaries of the China’s Largest Telecom Group is conducted on standalone basis under sales agreements entered into solely between such provincial subsidiary and us, considering that each provincial subsidiary is a separate legal entity with independent decision-making authority, operational, financial and management functions. We do not consider the China’s Largest Telecom Group as one single customer, and believe our relationship with the provincial subsidiaries of the China’s Largest Telecom Group is sustainable. For further details, see “Business – Our Customers – Our Relationship with the China’s Largest Telecom Group” beginning on page 146 of this document.

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## SUMMARY

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### OUR SUPPLIERS

During the Track Record Period, our suppliers mainly included hardware manufacturers and installation engineering service providers. Our purchases from hardware manufacturers consist primarily of hardware components that are specified in the relevant sales agreements, including network equipment, firewalls, agents and servers. In addition, we from time to time outsource installation engineering services from installation engineering service providers to assist in on-site installation and integration work. For 2014, 2015 and the five months ended May 31, 2016, we outsourced 9.5%, 10.7% and 2.6% of our projects in terms of number of projects to third party providers for the installation and integration work, respectively.

### OUR EMPLOYEES

As of December 31, 2014, 2015 and May 31, 2016, we had 111, 132 and 163 employees, respectively. The following table sets forth the number of our employees by department as of May 31, 2016.

Departments	Number of Employees	Percentage of Total
Management	3	1.9%
Research and Development	90	55.2%
Technical Support Service	46	28.2%
Sales and Marketing	10	6.1%
Administration	14	8.6%
<b>Total</b>	<b>163</b>	<b>100.0%</b>

It is expected that the number of our employees for the management, R&D, technical support service, sales and marketing and administration departments will be increased to 9, 223, 110, 21 and 37 as of June 30, 2019, respectively following our implementation plan set out in "Future Plans and Use of Proceeds" of this document.

### COMPETITIVE STRENGTHS

We believe that the following strengths of our Group differentiate us from our competitors and help us compete effectively in the industry: (1) a market leader in the fast-growing APM industry in China with a proven record of success; (2) long-term and stable business relationships with large and reputable customers; (3) strong in-house research and development and product innovative capabilities; (4) well-established sales and service network; and (5) visionary and dedicated management team.

## **SUMMARY**

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### **BUSINESS STRATEGY**

Our long-term objective is to become a leading international APM products and services provider. To that end, we intend to implement a business strategy with the following key components: (1) further solidify our leadership in China’s APM market by launching new and tailored features and contents, deepening our specialty in provision of products and services to certain industries, enhancing customer experience and broadening customer awareness, cross-selling different products and services to customers, and promoting our brand recognition; (2) continue to strengthen in-house research and development capabilities by recruiting additional software developers and engineers and upgrading our in-house technology infrastructure to support our evolving research and development activities; (3) leverage growth opportunities in China by deepening and expanding our portfolio of products and services and strategically expand into certain overseas markets, such as Asian-Pacific countries; and (4) pursue strategic alliance and acquisition opportunities. For more details of our business strategy, see “Business – Business Strategy” beginning on page 112 of this document.

### **SHAREHOLDERS AND CORPORATE STRUCTURE**

#### **Controlling Shareholders**

Immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares that may be issued pursuant to the exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme), Cohort Investments (wholly-owned by Mr. Sie), Worldgate Ventures (wholly-owned by Mr. Yue), Copious Link (wholly-owned by Mr. Guan) and Hugemind Investments (wholly-owned by Mr. Liang) will be together interested in approximately [REDACTED]% of the total issued share capital of the Company. Pursuant to the Deed of Concert Parties and for the purpose of the GEM Listing Rules, each of Mr. Sie, Mr. Yue, Mr. Guan, Mr. Liang, Cohort Investments, Worldgate Ventures, Copious Link and Hugemind Investments will be regarded as part of the group of our Controlling Shareholders. For more information about our Controlling Shareholders, see “Relationship with our Controlling Shareholders” beginning on page 191 of this document.

[REDACTED]

We have introduced two [REDACTED], namely Sino Impact BVI and Great Belief. For more information about their background and their [REDACTED], see “History, Reorganization and Corporate Structure – [REDACTED]” beginning on page 99 of this document.

### **FINANCIAL TRACK RECORD**

You should read the summary historical combined financial statements set forth below in conjunction with our combined financial statements included in Appendix I – “Accountants’ Report” to this document, together with the accompanying notes, which have been prepared in accordance with HKFRSs. The summary historical financial statements as of and for the years ended December 31, 2014, 2015 and the five months ended May 31, 2016 are derived from our combined financial statements, including the notes thereto, set forth in Appendix I – “Accountants’ Report” to this document.



## SUMMARY

The following table sets forth a summary of our combined statements of profit or loss and other comprehensive income for the periods indicated.

	Year ended December 31,				Five months ended May 31,			
	2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)							
Revenue	40,991	100.0	51,529	100.0	18,618	100.0	25,968	100.0
Cost of sales	(17,275)	(42.1)	(20,328)	(39.4)	(7,582)	(40.7)	10,757	(41.4)
Gross profit	23,716	57.9	31,201	60.6	11,036	59.3	15,211	58.6
Other income and gains <sup>(1)</sup>	1,037	2.5	4,485	8.7	1,512	8.1	980	3.8
Selling and distribution expenses	(4,334)	(10.6)	(5,486)	(10.6)	(2,204)	(11.8)	(2,715)	(10.5)
R&D expenses	(4,725)	(11.5)	(3,953)	(7.7)	(1,277)	(6.9)	(1,393)	(5.4)
Administrative expenses								
– [REDACTED]	–	–	–	–	–	–	(3,765)	(14.5)
– Other administrative expenses	(3,787)	(9.2)	(4,507)	(8.7)	(2,454)	(13.2)	(1,520)	(5.9)
Finance costs	(251)	(0.6)	(182)	(0.4)	(108)	0.6	(8)	–
Profit before tax	11,656	28.4	21,558	41.8	6,505	35.0	6,790	26.1
Income tax expenses	(1,885)	(4.6)	(3,227)	(6.3)	(1,001)	(5.4)	(1,435)	(5.5)
Profit for the year	<u>9,771</u>	<u>23.8</u>	<u>18,331</u>	<u>35.6</u>	<u>5,504</u>	<u>29.6</u>	<u>5,355</u>	<u>20.6</u>

(1) Other income and gains consist primarily of government grants. In 2014, 2015 and the five months ended May 31, 2016, the government grants we received were approximately RMB1.0 million, RMB4.5 million and RM1.0 million, respectively.

The financial results of our Group during the five months ended May 31, 2016 were affected by the non-recurring [REDACTED]. During the five months ended May 31, 2016, we incurred [REDACTED] of approximately RMB5.0 million, of which approximately RMB3.8 million was charged to our combined statements of profit or loss and other comprehensive income. We recorded an accumulated loss of RMB21.5 million as of January 1, 2014, primarily because in 2012 we recorded an impairment charge of certain intangible assets related to obsolescent technology no longer used amounting to RMB20.2 million. For details of our impairment policy for intangible assets, see “Financial Information – Profit Attributable to Owners of Our Company”. We began to make profit since 2014 as a result of the expansion of our customer base and significant growth of our business.



## SUMMARY

The following table sets forth the components of our cost of sales for the periods indicated.

	Year ended December 31, 2014		2015		Five months ended May 31, 2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)							
Labor costs	7,494	43.4	11,368	56.0	3,971	52.4	6,363	59.2
Hardware costs	8,659	50.1	7,871	38.8	3,218	42.4	3,874	36.0
Travel expenses	581	3.4	508	2.6	213	2.8	121	1.1
Rental expenses	383	2.2	468	2.4	131	1.7	337	3.1
Depreciation and amortization	158	0.9	113	0.2	49	0.7	62	0.6
<b>Total</b>	<b>17,275</b>	<b>100.0</b>	<b>20,328</b>	<b>100.0</b>	<b>7,582</b>	<b>100.0</b>	<b>10,757</b>	<b>100.0</b>

The increase in our labor costs was reflected from an increase in headcount and compensation base as a result of our business expansion during the Track Record Period. The decrease in our hardware costs as a percentage of our revenue during the Track Record Period was primarily attributable to our increased adoption of portable agents for our APM products in 2015, which cost less than rackmount agents, due to technological advancement.

The following table sets forth our gross profit and gross profit margin by service type for the periods indicated.

	Year ended December 31, 2014		2015		Five months ended May 31, 2015		2016	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
	(Unaudited)							
System integration services	13,831	55.6	15,558	58.2	5,281	55.7	10,815	53.9
Software development services	4,289	73.3	4,739	67.8	2,483	64.3	1,749	68.4
Technical services	5,249	56.0	8,945	59.3	2,311	55.3	1,817	82.4
Sales of standard hardware and software	347	41.3	1,959	72.2	961	88.1	830	73.7
<b>Total</b>	<b>23,716</b>	<b>57.9</b>	<b>31,201</b>	<b>60.6</b>	<b>11,036</b>	<b>59.3</b>	<b>15,211</b>	<b>58.6</b>

The increase in our gross profit margin from 2014 to 2015 was due to a decrease in hardware costs during the corresponding periods, which in turn increased the gross profit margins of our system integration services and our sales of standard hardware and software. The decrease in our gross profit margin in the five months ended May 31, 2016 compared with that of the five months ended May 31, 2015 was due to the increase in revenue derived from system integration services, which in general have a lower gross profit margin due to its relatively high cost of sales.

## SUMMARY

The following table sets forth selected line items of our combined statements of financial position as of the dates indicated.

	As of December 31,		As of
	2014	2015	May 31,
	RMB'000	RMB'000	2016
Current assets	38,921	62,377	66,803
Current liabilities	20,563	25,352	29,230
Net current assets	18,358	37,025	37,573
Non-current assets	608	337	982
Net assets	18,966	37,362	38,555

The following table sets forth a summary of our combined statements of cash flows for the periods indicated.

	Year ended December 31,		Five months
	2014	2015	ended May 31,
	RMB'000	RMB'000	2016
Operating cash flows before changes in working capital	12,151	21,883	6,887
Net cash generated from/(used in) operating activities	1,325	18,239	(11,058)
Net cash (used in)/from investing activities	(330)	323	(440)
Net cash used in financing activities	(52)	(8,596)	(81)
Net increase/(decrease) in cash and cash equivalents	<u>943</u>	<u>9,966</u>	<u>(11,579)</u>
Cash and cash equivalents at beginning of the year/period	9,503	10,446	20,412
Cash and cash equivalents at end of the year/period	10,446	20,412	8,833

For the five months ended May 31, 2016, we had net cash outflow from operating activities of approximately RMB11.1 million, primarily attributable to recording profit before tax of approximately RMB6.9 million offset by (1) a net increase in gross amount due from/to contract customers and trade receivables of approximately RMB10.2 million as the services or projects we provided under certain contracts had not reached billing milestones, (2) an increase in prepayments, deposits and other receivables of approximately RMB2.9 million primarily due to the prepayment of [REDACTED] and rental deposit, and (3) a payment of approximately RMB2.2 million in connection with 2015 income tax filing in May 2016.

## SUMMARY

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

	Year ended December 31,		Five months ended May 31,
	2014	2015	2016
<b>Profitability ratios</b>			
Gross profit margin <sup>(1)</sup>	57.9%	60.6%	58.6%
Net profit margin <sup>(2)</sup>	23.8%	35.6%	20.6%
Return on equity <sup>(3)</sup>	51.5%	49.1%	33.3% <sup>(8)</sup>
Return on total assets <sup>(4)</sup>	24.7%	29.2%	19.0% <sup>(8)</sup>
<b>Liquidity ratios</b>			
Current ratio <sup>(5)</sup>	1.9	2.3	2.3
Quick ratio <sup>(6)</sup>	1.8	2.2	2.2
<b>Capital adequacy ratios</b>			
Gearing ratio <sup>(7)</sup>	21.0%	nil	nil

(1) The calculation of gross profit margin is based on gross profit for the period divided by revenue for the respective period and multiplied by 100.0%.

(2) The calculation of net profit margin is based on profit for the period divided by revenue for the respective period and multiplied by 100.0%.

(3) The calculation of return on equity is based on profit for the period divided by equity attributable to equity holders of the Company as of period end and multiplied by 100.0%.

(4) The calculation of return on total assets is based on profit for the period divided by total assets as of period end and multiplied by 100.0%.

(5) The calculation of current ratio is based on current assets divided by current liabilities as of period end.

(6) The calculation of quick ratio is based on current assets less inventories divided by current liabilities as of period end.

(7) The calculation of gearing ratio is based on total borrowings divided by total equity as of period end and multiplied by 100.0%. There were no outstanding interest bearing borrowings at end of 2015 and as of May 31, 2016.

(8) For the five months ended May 31, 2016, return on equity and return on assets are calculated on an annualized basis.

For further discussions of these ratios, see "Financial Information – Key Financial Ratios" beginning on page 241 of this document.

## REASONS FOR [REDACTED] AND USE OF PROCEEDS

As our Group grows and expands riding on the rapid growth in the APM industry in China, our Directors are of the view that additional capital is required for innovation, research and development and other relevant aspects to keep up with the technological advancements and rising labor costs, in order to increase our market share and maintain our leading position

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## SUMMARY

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in the industry. The net proceeds from the [REDACTED] will provide financial resources to our Group to achieve such business strategies. Furthermore, a public [REDACTED] status will improve our Group's ability to recruit, motivate and retain key management personnel and qualified R&D staff, and also enhance our corporate profile and assist us in promoting our products, brand and reputation. We believe that a public [REDACTED] status on GEM is a complimentary marketing for our Group to potential investors and customers and can enhance our corporate profile and our credibility with the public, existing and potential customers, suppliers or business partners. Furthermore, the [REDACTED] will also enable our Group to have access to raising funds from the equity market at the time of [REDACTED] and after the [REDACTED] for continued growth and development. A public [REDACTED] status on GEM will not only strengthen our corporate governance and internal controls, but also offer our Company a broader shareholder base which will provide liquidity in the [REDACTED] of the Shares. As such, our Directors consider that the [REDACTED] is necessary and the net proceeds from the [REDACTED] are crucial to achieve our long-term objective to become a leading international APM products and services provider through our Group's business strategies. For more information about our business objectives, strategy and implementation plans, see "Business – Business Strategy" and "Future Plans and Use of Proceeds" beginning on page 112 and 248, respectively, of this document.

Assuming the [REDACTED] is not exercised and assuming the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative range of the [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]), we estimate that the net proceeds of the [REDACTED], after deducting the estimated [REDACTED] fees and expenses payable by us in connection with the [REDACTED] (excluding [REDACTED] of approximately RMB3.8 million which have been charged to combined statements of profit or loss and other comprehensive income during the Track Record Period and subsequently settled as of September 30, 2016), will be approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]). We intend to use the net proceeds from the [REDACTED] for the following purposes:

- approximately [REDACTED]% of the net proceeds, or HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), to be used to further solidify our leadership in China's APM market by launching new and tailored features and contents, deepening our specialty in provision of products and services to certain industries, enhancing customer experience and broadening customer awareness, cross-selling different products and services to customers, and promoting our brand recognition;
- approximately [REDACTED]% of the net proceeds, or HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), to be used to continue to strengthen in-house research and development capabilities by recruiting additional software developers and engineers and upgrading our in-house technology infrastructure to support our evolving research and development activities;
- approximately [REDACTED]% of the net proceeds, or HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), to be used to leverage growth opportunities in China by deepening and expanding our portfolio of products and services and strategically expand into certain overseas markets; and

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## SUMMARY

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- approximately [REDACTED]% of the net proceeds, or HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), to be used to fund general corporate purposes.

We intend to use our proceeds as set out in our implementation plans in accordance with the allocation of the proceeds from the [REDACTED] for each of the implementation plan detailed in this document. See "Future Plans and Use of Proceeds" beginning on page 248 of this document for our implementation plans.

[REDACTED]

The [REDACTED] in connection with the [REDACTED] consist primarily of [REDACTED] commission and professional fees, and are estimated to be approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]) assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range, and the [REDACTED] is not exercised. During the Track Record Period, we incurred [REDACTED] of approximately RMB5.0 million, of which approximately RMB3.8 million was charged to our combined statements of comprehensive income during the Track Record Period, while the remaining amount of approximately RMB1.2 million was recorded as prepaid [REDACTED] and will be capitalized and deducted from the share premium upon the completion of the [REDACTED]. We expect to further incur [REDACTED] of approximately RMB14.5 million upon the completion of the [REDACTED], out of which approximately RMB[REDACTED] will be charged to the combined statements of comprehensive income, and approximately RMB[REDACTED] will be deducted from the share premium.

In view of the above, prospective investors should note that the financial results of our Group for 2016 will be adversely affected by the non-recurring expenses in relation to the [REDACTED]. Accordingly, our Group's net profit for 2016 may decrease as compared to the net profit for 2015 as a result of the [REDACTED]. Our Directors would like to emphasize that the expenses in relation to the [REDACTED] are a current estimate for reference only and the financial amounts to be recognized in the equity and the statement of profit or loss and other comprehensive income of our Group for 2016 are subject to adjustment due to changes in estimates and assumptions.

### DIVIDEND

We declared a dividend of RMB10.0 million, of which RMB3.8 million was paid in the five months ended May 31, 2016 from our cash. The remainder of the dividend declared was settled as of the Latest Practicable Date.

We currently do not have any pre-determined dividend payout ratio. Our ability to distribute dividends depends on the future balance of our Group's retained earnings, and we may not be able to distribute dividends if we record accumulated losses in the future. The amount of dividends actually distributed to our Shareholders will depend on our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders.

## **SUMMARY**

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### **RECENT DEVELOPMENTS**

Our new contract value for the nine months ended September 30, 2016 increased by 106.6% when compared to the corresponding period in 2015. As of September 30, 2016, 67.2% of the backlog at the five months ended May 31, 2016 were recognized as revenue. After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that since May 31, 2016 and up to the date of this document, there was no material adverse change in our financial, operational or trading position or in the general regulatory, economic and market conditions in China or the industry in which we operate, and there is no event since May 31, 2016 that would materially affect the audited financial information as set out in Appendix I – “Accountants’ Report” to this document.

**[REDACTED]**

### **RISKS AND CHALLENGES**

We face a number of risks and challenges in our business and industry. These risks can be broadly categorized into (1) risks relating to our business and industry; (2) risks relating to conducting business in China; and (3) risks relating to the Shares and the **[REDACTED]**. As an APM products and services provider in China, we are dependent on our customers’ business performance, in particular the China’s Largest Telecom Group, and any adverse changes to their business could in turn materially affect our business. We derived a substantial amount of revenue from the contracts we entered into with the subsidiaries of the China’s Largest Telecom

## **SUMMARY**

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Group during the Track Record Period, and any decrease or loss of business from them could adversely and substantially affect our business, results of operations and financial conditions. Our business depends in part on our ability to sell our products and services through open tendering process to customers, and if we fail to secure engagements from such process in the future, our business, financial performance and business sustainability may be adversely affected. Our business could be harmed if we fail to develop enhancements to our products and services or expand our customers' adoption and usage of our products and services. Since different investors may apply different interpretations and criteria when determining the materiality of a risk, see "Risk Factors" beginning on page 37 of this document in its entirety before you decide to invest in the [REDACTED].

## DEFINITIONS

*Unless the context otherwise requires, the following expressions have the following meanings in this document. Certain other terms are explained in "Glossary".*

"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Articles of Association" or "Articles"	the articles of association of our Company, conditionally adopted on November 21, 2016 and effective upon [REDACTED], and as amended from time to time, a summary of which is set out in Appendix III – "Summary of the Constitution of the Company and Cayman Islands Company Law" to this document
"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Audit Committee"	the audit committee of the Board
"Board of Directors" or "Board"	our board of Directors
"Business Day(s)"	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Capital Increase and Enlargement Agreement"	the Capital Increase and Enlargement Agreement dated December 18, 2015 entered into among Vixtel Technologies, Vixtel Science and Sino Impact HK, pursuant to which Sino Impact HK subscribed for 15% of the registered capital of Vixtel Technologies as enlarged by such subscription for a consideration of RMB5,837,600 (equivalent to approximately HK\$6,564,381) which was fully paid up on July 6, 2016
"[REDACTED]"	the issue of Shares to be made upon [REDACTED] of certain sum standing to the credit of the share premium account of our Company as referred to under Appendix IV – "Statutory and General Information – A. Further Information about our Group – 3. Written Resolutions of the Shareholders" to this document



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## DEFINITIONS

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“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China, which for the purpose of this document and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“China’s Largest Telecom Group”	the largest state-owned telecommunications operator in China in terms of total revenue and number of users in 2015 and its subsidiaries, which are also major customers of our Group
“Cohort Investments”	Cohort Investments Limited (高酷投資有限公司), a company incorporated under the laws of the BVI with limited liability on July 14, 2015 which is wholly-owned by Mr. Sie and is part of the group of our Controlling Shareholders
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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“Company” or “our Company”	Vixtel Technologies Holdings Limited (飛思達科技控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on November 10, 2015
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, unless the context requires otherwise, refers to the group comprising Mr. Sie, Mr. Yue, Mr. Guan, Mr. Liang, Cohort Investments, Worldgate Ventures, Copious Link and Hugemind Investments
“Copious Link”	Copious Link Investments Limited (環沛投資有限公司), a company incorporated under the laws of the BVI with limited liability on September 22, 2015 which is wholly-owned by Mr. Guan and is part of the group of our Controlling Shareholders
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Concert Parties”	the deed of concert parties dated August 11, 2016 as supplemented by a supplemental deed dated November 10, 2016 entered into by our ultimate Controlling Shareholders, namely Mr. Sie, Mr. Yue, Mr. Guan and Mr. Liang to confirm, agree and acknowledge, among other things, that they are parties acting in concert in relation to our Group since December 29, 2010 when the entire equity interests in Vixtel Technologies were transferred to Vixtel Science, details of which are set out in “History, Reorganization and Corporate Structure – Parties Acting in Concert”
“Deed of Indemnity”	the deed of indemnity dated November 21, 2016 and executed by our Controlling Shareholders in favor of our Company (for itself and as trustee for each of its present subsidiaries), particulars of which are set out in Appendix IV – “Statutory and General Information – D. Other Information – 14. Tax and other indemnity” to this document

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## DEFINITIONS

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“Deed of Non-competition”	the deed of non-competition dated November 21, 2016 and executed by our Controlling Shareholders in favor of our Company, particulars of which are set out in “Relationship with our Controlling Shareholders”
“Director(s)”	the director(s) of the Company or any one of them
“Foreign Exchange Regulations”	Foreign Exchange Administrative Regulations of the PRC (中華人民共和國外匯管理條例)
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. (弗若斯特沙利文(北京)諮詢有限公司上海分公司), a market research and advisory company and the industry consultant engaged by our Company
“F&S Report”	an industry report on the provision of APM services and the APM industry in China prepared by Frost & Sullivan and commissioned by the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Great Belief”	Great Belief Investments Limited, a company incorporated under the laws of the BVI with limited liability on January 8, 2016 which is wholly-owned by Ms. Li Xiaoyan and is one of the [REDACTED]
“Group,” “our Group,” “we” or “us”	our Company and our subsidiaries (or our Company and any one or more of our subsidiaries, as the context may require)
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$” or “Hong Kong dollars”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“[REDACTED]”	[REDACTED]

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## DEFINITIONS

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“Hugemind Investments”	Hugemind Investments Limited (鉅智投資有限公司), a company incorporated under the laws of the BVI with limited liability on September 23, 2015 which is wholly-owned by Mr. Liang and is part of the group of our Controlling Shareholders
“independent third party(ies)”	a party(ies) which is/are not a connected person (as defined in the GEM Listing Rules)
“JMRNET Solutions”	JMRNET Solutions Limited (捷網技術有限公司), a company incorporated under the laws of Hong Kong with limited liability on January 14, 2004 and dissolved by deregistration on December 7, 2012, see “History, Reorganization and Corporate Structure” for more details
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Latest Practicable Date”	November 21, 2016, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document

[REDACTED]

“Madam Chen”	Madam Chen Baozhu (陳寶珠), the spouse of Mr. Sie and one of the shareholders of Vixtel Science holding and acting in concert with Mr. Sie 33.33% of its equity interest throughout the Track Record Period
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## DEFINITIONS

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“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on November 21, 2016 with immediate effect and as amended from time to time, a summary of which is set out in Appendix III – “Summary of the Constitution of the Company and Cayman Islands Company Law” to this document
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Guan”	Mr. Guan Haiqing (管海卿), an executive Director, the chief sales officer of our Company and part of the group of our Controlling Shareholders
“Mr. Liang”	Mr. Liang Judong (梁炬東), a non-executive Director and part of the group of our Controlling Shareholders
“Mr. Sie”	Mr. Sie Tak Kwan (施德群), an executive Director, the chief executive officer of our Company and part of the group of our Controlling Shareholders
“Mr. Yue”	Mr. Yue Yong (岳勇), an executive Director, the chairman, the chief technology officer of our Company and part of the group of our Controlling Shareholders
“Nomination Committee”	the nomination committee of the Board
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)

[REDACTED]

“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
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## DEFINITIONS

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[REDACTED]

“related party(ies)”	has the meaning ascribed thereto under HKFRSs
“Remuneration Committee”	the remuneration committee of the Board
“Reorganization”	the corporate reorganization of our Group for the restructuring of our business and in preparation for the [REDACTED], particulars of which are set out in “History, Reorganization and Corporate Structure – Our Group’s Reorganization”

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## DEFINITIONS

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“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration for Foreign Exchange of the PRC (中華人民共和國外匯管理局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SCNPC”	the Standing Committee of the NPC (全國人民代表大會常務委員會)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on November 21, 2016, the principal terms of which are summarized in Appendix IV – “Statutory and General Information – D. Other Information – 13. Share Option Scheme” to this document
“Share Purchase Agreement”	the share purchase agreement dated July 6, 2016 and entered into among Sino Impact BVI, Vixtel Systems, our Company, Mr. Kwan Shan and Ms. Tam Suk Fan, Sindy, pursuant to which Vixtel Systems acquired the entire issued share capital of Sino Impact HK in consideration of 1,376,470 new Shares allotted and issued by our Company to Sino Impact BVI
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Sino Impact BVI”	Sino Impact Limited, a company incorporated under the laws of the BVI with limited liability on July 21, 2015 which is owned as to 50% and 50% by Mr. Kwan Shan and Ms. Tam Suk Fan Sindy respectively and is one of our [REDACTED]

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## DEFINITIONS

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“Sino Impact HK”	Sino Impact Company Holding Limited, a company incorporated under the laws of Hong Kong with limited liability on October 30, 2015 and is an indirect wholly-owned subsidiary of our Company after the Reorganization
“SME”	small and medium-sized enterprise
“Sole Sponsor,” “[REDACTED]”	KGI Capital Asia Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the GEM Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs
“Track Record Period”	the period consisting of the two years ended December 31, 2014 and 2015 and the five months ended May 31, 2016

[REDACTED]

“United States” or “US”	the United States of America, its territories and possessions and all areas subject to its jurisdiction
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States



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## DEFINITIONS

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“Vigor Cypress”	Vigor Cypress Ventures Limited (柏盛創投有限公司), a company incorporated under the laws of the BVI with limited liability on October 8, 2015 and is wholly-owned by Mr. Sie
“Vixtel Networks”	Vixtel Networks Limited (飛思達網絡有限公司), a company incorporated under the laws of Hong Kong with limited liability on November 27, 2015 and is an indirect wholly-owned subsidiary of our Company
“Vixtel Science”	Vixtel Science (Beijing) Company Limited (飛思達科技(北京)有限公司), a company established under the laws of the PRC with limited liability on October 25, 2010 which is owned as to approximately 33.33%, 33.33%, 23.34% and 10% by Mr. Yue, Madam Chen (the spouse of, and acting in concert with, Mr. Sie), Mr. Guan and Mr. Liang, respectively
“Vixtel Systems”	Vixtel Systems Limited (飛思達系統有限公司), a company incorporated under the laws of the BVI with limited liability on November 17, 2015 and is a direct wholly-owned subsidiary of our Company
“Vixtel Technologies”	Vixtel Technologies Limited (飛思達技術(北京)有限公司), a wholly foreign-owned enterprise established under the laws of the PRC with limited liability on September 29, 2006 and is an indirect wholly-owned subsidiary of our Company
“Worldgate Ventures”	Worldgate Ventures Limited (世機創投有限公司), a company incorporated under the laws of the BVI with limited liability on August 12, 2015 which is wholly-owned by Mr. Yue and is part of the group of our Controlling Shareholders
“%”	per cent

*All times refer to Hong Kong time.*

*If there is any inconsistency between the Chinese name of the PRC laws and regulations or PRC entities mentioned in this document and their English translation, the Chinese version shall prevail. Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities for which no official English translation exist are unofficial translations for identification purposes only.*

*Unless otherwise specified, references to years in this document are to calendar years.*

## DEFINITIONS

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*In this document, the terms "associate," "close associate," "core connected person," "connected person," "connected transaction," "controlling shareholder," "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.*

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## GLOSSARY

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*This glossary contains certain technical terms used in this document in connection with our Company. Such terms and their meanings may not correspond to standard industry definitions or usage.*

“agent” or “data collecting agent”	a software program or hardware device inserted in an application or a network for the purpose of monitoring and collecting data about application or network activity
“Android”	a mobile operating system developed by Google Inc. and designed primarily for touchscreen mobile devices such as smartphones and tablets
“APM”	application performance management
“application”	a self-contained program or piece of software designed to fulfill a particular purpose
“big data”	high volume, velocity and variety information assets that demand cost-effective, innovative forms of information processing for enhanced insight and decision making
“CAGR”	compound annual growth rate
“CISCO SAA”	CISCO Service Assurance Agent, an active computer network measurement technology that was initially developed by Cisco Systems Inc.
“cloud” or “cloud computing”	a model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g. networks, servers, storage, applications, and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction
“cloud-based SaaS platform” or “SaaS platform”	our APM product which is SaaS-based and expected to be commercialized in the first half of 2017, see “Business – Our Platforms – Cloud-based SaaS Platform” for more details
“cloud services”	generally referred to as services which are provided based on the cloud computing technology

## **GLOSSARY**

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“COS”	the class of service field, a three-bit field that is present in an Ethernet frame header when 802.1Q VLAN tagging is present and can be used by QoS disciplines to differentiate and shape/police network traffic
“database”	a structured and organized collection of information and data stored in computer systems that can be easily accessed, managed and updated
“DHCP”	Dynamic Host Configuration Protocol, a standardized network protocol used on IP networks for dynamically distributing network configuration parameters, such as IP addresses for interfaces and services
“DiffServ”	Differentiated Services, a computer networking architecture that specifies a simple, scalable and coarse-grained mechanism for classifying and managing network traffic and providing quality of service on modern IP networks
“ERP”	Enterprise Resource Planning, a category of business process management software that allows an organization to use a system of integrated applications to manage the business and automate many back office functions related to technology, services and human resources
“FTP”	File Transfer Protocol, a standard network protocol used to transfer computer files between a client and server on a computer network
“GDP”	gross domestic product
“gigabyte”	unit of information or computer storage to equal to 1,073,741,824 bytes; a byte is measurement of information storage
“HTTP”	Hypertext Transfer Protocol, an application protocol for distributed and collaborative hypermedia information systems
“Internet”	an interconnected system of networks that connects computers around the world and is publicly accessible

## **GLOSSARY**

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“iOS”	a mobile operating system created and developed by Apple Inc. and distributed exclusively for Apple Inc.’s hardware
“IP”	Internet Protocol, the principal communications protocol in the Internet protocol suite for relaying datagrams across network boundaries
“ISO”	the International Organization for Standardization, a non-government organization based in Geneva of Switzerland for assessing the quality systems of business organizations
“ISO 9001:2008”	a standard published by ISO that specifies requirements for a quality management system where an organization needs to demonstrate its ability to consistently provide products that meet customer and applicable statutory and regulatory requirements
“ISO 14001:2004”	a standard published by ISO that specifies requirements for an environmental management system to enable an organization to develop and implement a policy and objectives which take into account legal requirements and other requirements to which the organization subscribes, and information about significant environmental aspects
“ISO 27001:2013”	a standard published by ISO that specifies requirements for an information security management system to manage sensitive company information
“IT”	information technology, the development, installation, and implementation of computer systems and applications
“log analysis”	analysis of computer-generated records for helping organizations, businesses or networks in proactively and reactively mitigating different risks
“megabyte”	unit of information or computer storage to equal to 1,048,576 bytes; a byte is measurement of information storage

## **GLOSSARY**

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“middleware”	computer software that acts as a bridge between an operating system or database and applications, especially on a network
“module”	a set of functions within a software or an application
“natural language search”	a search using regular spoken language, such as English, under which type of search you can ask the database a question or you can type in a sentence that describes the information you are looking for
“NetVista platform”	our APM product that manages and monitors the real-time performance of applications and networks, see “Business – Our Platforms – NetVista Platform” for more details
“network”	a collection of terminal nodes, links are connected so as to enable telecommunication between the terminals such as computers
“NFV”	Network Functions Virtualization, a network architecture concept that uses the technologies of IT virtualization to virtualize entire classes of network node functions into building blocks that may connect, or chain together, to create communication services
“NPM”	network performance management
“orchestrated applications”	two or more applications integrated together to automate a process or synchronize data in real-time
“OTT”	Over-The-Top content, a delivery model that transmits audio, video, and other media over the Internet without the involvement of a multiple-system operator in the control or distribution of the content
“PC”	personal computer, which includes desktop and laptop computers
“platform”	a computing environment that allows the development and execution of computer applications

## **GLOSSARY**

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“plug and play”	a technology that facilitates the discovery of a hardware component in a system without the need for physical device configuration or user intervention in resolving resource conflicts
“POP”	Post Office Protocol, an application-layer Internet standard protocol used by local e-mail clients to retrieve e-mail from a remote server over a Transmission Control Protocol or IP connection
“QoS”	Quality of Service, the overall performance of a telephony or computer network, particularly the performance seen by the users of the network
“R&D”	research and development
“SaaS”	software-as-a-service, a software delivery model in which software and associated data are centrally hosted on the cloud
“SDN”	Software-defined Networking, an approach to computer networking that allows network administrators to manage network services through abstraction of lower-level functionality
“search engine”	a software system that is designed to search for information on the Internet
“service virtualization”	a method to emulate the behavior of specific components in heterogeneous component-based applications to provide access to dependent system components that are needed to exercise an application under test but are unavailable or difficult-to-access for development and testing purposes
“SIP”	Session Initiation Protocol, a communications protocol for signaling and controlling multimedia communication sessions
“SMTP”	Simple Mail Transfer Protocol, an Internet standard for email transmission

## **GLOSSARY**

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“SNMP MIB”	a management information base associated with the Simple Network Management Protocol, an Internet-standard protocol for collecting and organizing information about managed devices on IP networks and for modifying that information to change device behavior
“TOS”	Type of Service, a field consisting of a six-bit differentiated services code point field and a two-bit explicit congestion notification field
“Trade QoS system”	our APM product that is designed specifically for trading platforms such as stock exchanges and commodity exchanges to manage their trading performance, see “Business – Our Platforms – Trade QoS System” for more details
“UI”	user interface
“USB”	universal serial bus, an external bus standard used to standardize the connection and communication between computers and external devices
“VAT”	value-added tax
“virtual network”	a single, software-based administrative entity that combines hardware and software network resources and network functionality, usually involving platform virtualization and resource virtualization
“VoIP”	Voice over Internet Protocol, a methodology and group of technologies for the delivery of voice communications and multimedia sessions over IP networks
“3G”	third generation mobile telecommunications, a generation of standards for mobile phones and mobile telecommunications services
“4G”	fourth generation mobile telecommunications, a generation of standards for mobile phones and mobile telecommunications services



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## FORWARD-LOOKING STATEMENTS

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

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this document. Forward-looking statements can be identified by words such as "may," "will," "should," "would," "could," "believe," "expect," "anticipate," "intend," "plan," "continue," "seek," "estimate" or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our projections, business strategy and development activities as well as other capital spending, financing sources, the effects of regulation, expectations concerning future operations, margins, profitability and competition. The foregoing is not an exclusive list of all forward-looking statements we make.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. We caution you therefore against placing undue reliance on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- our business prospect;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies, plans, objectives and goals;
- general economic trends and conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to control costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;

## **FORWARD-LOOKING STATEMENTS**

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- capital market developments;
- the actions and developments of our competitors; and
- certain statements in “Financial Information” with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Any forward-looking statement made by us in this document speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

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## RISK FACTORS

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*You should carefully read and consider all of the risks and uncertainties described below before deciding to make any investment in our Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties. As a result, you may lose part of or all of your investment.*

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorized into (1) risks relating to our business and industry; (2) risks relating to conducting operations in China; and (3) risks relating to the Shares and the [REDACTED].

### **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

**A substantial amount of our revenue is derived from the contracts we enter into with the subsidiaries of the China's Largest Telecom Group, and any decrease or loss of business from them could adversely and substantially affect our business, results of operations and financial conditions.**

We provided our products and services mainly to telecommunications operators in China during the Track Record Period. The PRC telecommunications industry is highly regulated and dominated by a small number of large state-owned enterprises which establish their presence in each province or key region by setting up an independently-operated subsidiary to manage the sales and operation in such areas. During the Track Record Period, our revenue derived from the provincial subsidiaries of the China's Largest Telecom Group in aggregate constituted a significant proportion of our total revenue, accounting for approximately 82.2%, 72.6% and 71.4% of our total revenue, for 2014, 2015 and the five months ended May 31, 2016, respectively.

Although the percentage of our total revenue attributable to the China's Largest Telecom Group decreased over the Track Record Period and we have made considerable effort to diversify our customer base and attract new customers, we expect to continue to derive a significant amount of our revenue from the China's Largest Telecom Group in the near future. However, despite the fact that each of the provincial subsidiaries is run independently from each other, we cannot assure you that the China's Largest Telecom Group will continue to engage us for our services or there will not be any adverse development related to the operations of the China's Largest Telecom Group. If we fail to secure further contracts from them for any reason, and we are unable to win contracts from other customers on comparable terms, or at all, our business, results of operations and financial condition could be materially and adversely affected. In addition, any change in the strategic focus of these customers that results in a reallocation of resources away from their needs on APM products and services could also affect the total amount of their capital expenditure and their willingness to engage us for APM products and services, which could also materially and adversely affect our business, results of operations and financial condition.

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## **RISK FACTORS**

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Moreover, we provide our APM products and services on a project basis, which is not recurrent in nature. Despite the fact that our customers may subsequently engage us for upgrade or expansion of the products developed by us in previous projects or our customers may also engage us to develop new products after the retirement of outdated products, we cannot assure you that our customers will continue to provide us with new businesses after the completion of the existing projects. If we are unable to secure new engagements or our customers substantially reduce their orders for future enhancements or upgrades, our business and future revenue could be materially and adversely affected.

**We are dependent on our customers' business performance, in particular the China's Largest Telecom Group, in China.**

As an APM products and services provider in China, we engage primarily in providing products and services to our customers to accommodate their needs arising from their internal management of application performance and network performance. Accordingly, our business performance is, to a large extent, affected by our customers' business performance and developments in China. If our customers' sales in China decline, such decline may hinder their business expansion and likely lead to a corresponding decrease in demand for our services. In particular, we are dependent on the business performance of the China's Largest Telecom Group. The China's Largest Telecom Group is one of the state-owned telecommunications operators in China whose business performance will depend on, among others, national policies and general economic conditions. Any adverse changes to the national policies or general economic conditions may postpone its business development or alter its business strategy which may in turn require less of our services or even cease business relationship with us, and thus materially affecting our business and financial conditions.

**If we are unable to secure engagement from customers through open tendering process, our business and financial performance may be adversely affected and the sustainability of our business may also be adversely affected in the long run.**

Our business depends in part on our ability to sell our products and services through open tendering process to customers, such as the China's Largest Telecom Group, and to attract current and future customers to expand their use of our services and products. For 2014, 2015 and the five months ended May 31, 2016, the total contract value generated from engagements obtained through the open tendering process for either new projects or upgrades and expansion of our previous projects amounted to approximately RMB14.7 million, RMB16.2 million and RMB7.5 million, respectively. Our success rate of open tendering was approximately 55.3%, 51.1% and 50.0% for 2014, 2015 and the five months ended May 31, 2016, respectively.

The competition in the open tendering process among various APM products and services providers is intense. Our ability to secure engagement out of our tenders is important to our business because a portion of our significant engagements were obtained through open tendering process during the Track Record Period. These engagements and customers form an integral part of our customer base and project portfolio. Our ability to retain and maintain our relationship with these customers would help us promote our brand image and reputation,

## **RISK FACTORS**

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thereby enabling us to capture more revenue and market share. There is no guarantee that we will be able to secure our engagements with these customers following the [REDACTED]. In the event that we are unable to succeed in our competitive tenders or maintain business relationship with our existing customers, our competitive advantage may be weakened and our brand image and reputation may be adversely affected, thereby affecting our business, financial performance and the sustainability of our business in the long run.

**Our revenue is mainly derived from projects which are not recurring in nature and any decrease in the number of projects would affect our operation and financial results.**

Our revenue is primarily derived from the provision of APM products and services, which primarily include (1) system integration services, (2) software development services, (3) technical services, and (4) sales of standard hardware and software. Our engagements with our customers are on a project basis and are generally non-recurring in nature. We do not enter into long-term agreements with any of our customers and generally only enter into sales agreements on a project basis, the duration of which is generally up to one year. After the completion of services or sales, our customers are not obliged to engage us again in any subsequent projects. As a result, our projects are not recurring in nature. We cannot guarantee that our existing customers will provide us with new business opportunities, and there can be no assurance that we would be able to maintain our business relationships with existing customers. If we fail to retain our existing customers or attract new customers, there may be a decrease in the number of projects or orders. Our operations and financial results would hence be adversely affected.

**If we fail to adapt and respond effectively to rapidly changing technology, evolving industry standard, and changing customer needs, requirements, or preferences, our products and services may become less competitive.**

China's APM industry is subject to technological change, evolving industry standards, and practices, and changing customer needs, requirements and preferences. The success of our business will depend, in part, on our ability to adapt and respond effectively to these changes on a timely basis. Most of our customers currently use our products and services for their internal management of application performance and network performance. If we are unable to develop and offer new products and services that satisfy our customers, or if we fail to provide enhancements and new features for our existing products and services to keep pace with rapid technological and industry changes, our revenue and operating results could be adversely affected. If there is an emergence of new technologies that allow our competitors to deliver similar products and services that are cheaper, more efficiently and conveniently, or more securely, the competitiveness of our products and services could also be impacted.

Our products and services must integrate with a variety of network, hardware, mobile and software platforms, and technologies, and we need to continuously modify and enhance our products and services to adapt to changes and innovations to these technologies. If certain new platforms are widely adopted in the industry, we would have to develop new versions of our products to work with those new platforms. This development effort may require significant engineering, marketing, and sales resources, all of which would affect our business and

## **RISK FACTORS**

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operating results. Any failure of our products to operate effectively with future infrastructure platforms and technologies could reduce the demand for our products. If we are unable to respond to these changes in a cost-effective manner, our products may become less marketable and less competitive or obsolete, and our operating results may be negatively affected.

**If we are not able to develop enhancements to our products and services or expand our customers' adoption and usage of our products and services, our performance could be hampered.**

Our ability to attract new customers and increase revenue from existing customers depends in large part on our ability to enhance and improve our existing products to deliver better customer experience, as well as to expand our customers' adoption and usage of our products and services to additional use cases, such as business analytics and customer usage analytics. The success of our products and services depends on several factors, including timely completion, adequate quality testing, introduction, and market acceptance. Any products that we develop or enhance may not be introduced in a timely or cost-effective manner, may contain errors or defects, or may not achieve the broad market acceptance necessary to generate sufficient revenue. If we are unable to successfully enhance our existing products to deliver better customer experience or expand our customers' adoption and usage of our products and services, our business and operating results will be harmed.

**If the APM market develops slower than we expect, our prospects could be materially and adversely affected.**

The APM market in China is not as mature as those overseas, and it is uncertain whether APM products and services, especially in industries other than telecommunications, will achieve and sustain high levels of market demand and acceptance. We believe the success of our business will depend, to a large extent, on the pace at which enterprises, in particular SMEs, in China become familiar with our APM products and services and accept APM products and services for their applications and networks management. For example, the adoption of APM products and services is more common in the telecommunications industry compared to other industries. In addition, many SMEs may be reluctant or unwilling to accept our APM products and services due to their unfamiliarity with such area or lack of budget. It is difficult to predict customer adoption rates and demand for our products and services in the future. We believe the expansion of the APM market in China depends on a number of factors, including the cost, performance, and perceived value associated with APM products and services, as well as the ability of APM products and services providers to address security and privacy concerns. If any other providers experience security incidents, loss of customer data, disruptions in delivery or other problems, the market as a whole, including our products and services, could be negatively affected. If our APM products and services does not achieve widespread adoption among various industries, or there is a reduction in demand for APM products and services caused by a lack of market acceptance, technological challenges, weakening economic conditions, security or privacy concerns, competing technologies and products, decreases in corporate spending or otherwise, our business, financial positions and results of operations could be materially and adversely affected.

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## RISK FACTORS

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**We may be exposed to payment delays and/or defaults by our customers, which would adversely affect our cash flow or financial results.**

As of December 31, 2014, 2015 and May 31, 2016, our trade receivables amounted to approximately RMB9.4 million, RMB14.2 million and RMB15.2 million, respectively, representing approximately 24.1%, 22.8% and 22.8% of our current assets, respectively. As of December 31, 2014, 2015 and May 31, 2016, our trade receivables aged more than three months amounted to approximately RMB3.2 million, RMB1.8 million and RMB6.6 million, respectively, representing approximately 34.0%, 12.7% and 43.3% of our trade receivables, respectively, and our trade receivables turnover days during the Track Record Period were 76 days, 84 days and 86 days, respectively. For more details, see "Financial Information – Discussion of Certain Items from the Combined Statements of Financial Position – Trade Receivables".

As such, our business operations are subject to the risk of payment deferral by our customers. We cannot assure you that we will be able to fully recover the outstanding amounts due from our customers, if at all, or that our customers will settle the amounts in a timely manner. If settlements with our customers are not made in full or in a timely manner, our business, financial conditions and results of operations will be adversely affected.

**We have recorded, and may continue to record, negative operating cash flows due to our rapid expansion.**

We recorded positive net operating cash flow of approximately RMB1.3 million and RMB18.2 million for 2014 and 2015, and negative net operating cash flow of approximately RMB11.1 million for the five months ended May 31, 2016. The negative operating cash flow for the five months ended May 31, 2016 was primarily attributable to recording profit before tax of approximately RMB6.9 million offset by (1) a net increase in gross amount due from/to contract customers and trade receivables of approximately RMB10.2 million as the services or construction we provided under certain contracts had not reached billing milestones, (2) an increase in prepayments, deposits and other receivables of approximately RMB2.9 million primarily due to the payment of [REDACTED], and (3) a payment of approximately RMB2.2 million in connection with 2015 income tax filing in May 2016. See "Financial Information – Liquidity and Capital Resources – Cash Flows – Net cash from/(used in) operating activities". We may continue to experience negative operating cash flows in the future as a result of our continuing expansion. If we continue to record negative operating cash flows in the future, our working capital may be constrained, which may materially and adversely affect our business, financial condition, results of operations and growth prospects.

**Failure to effectively expand our marketing and sales capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our products.**

Our ability to increase our customer base and achieve broader market acceptance of our products will depend to a significant extent on our ability to expand our marketing and sales operations. We plan to continue expanding our sales force. We are expanding our marketing and sales capabilities to target SMEs and developing new products to meet their needs but there



## **RISK FACTORS**

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is no guarantee that we will be successful in attracting and maintaining these enterprises as customers, and even if we are successful, these efforts may divert our resources away from and negatively impact our ability to attract and maintain our current major customers. All of these efforts will require us to invest significant financial and other resources. If we are unable to hire, develop, and retain talented sales personnel, if our new sales personnel are unable to achieve desired productivity levels in a reasonable period of time, or if our sales and marketing efforts are not effective, our ability to increase our customer base and achieve broader market acceptance of our products could be harmed.

### **We may not grow at a rate comparable to our growth rate in the past.**

Although we plan to continue to expand our scale of operations through organic growth and investments in new technologies, we might not grow at a rate comparable to our growth rate in the past, either in terms of revenue or profit. Our future growth is dependent on many factors, including, among other factors, growth of the APM industries in China, the acceptance of APM, the profitability and strategic focuses of our customers and our ability to implement our business strategy, particularly as it relates to our customer diversification, to effectively compete against existing and potential competitors and to improve our operational, financial, accounting and other internal systems and controls. Expansion of our business also requires capital commitments and could divert management resources away from our current business. There is no assurance that we can successfully implement our growth strategy or do so without straining our management resources, which could adversely affect our business, results of operations and financial condition. Any of the foregoing factors could limit our ability to grow in the future. Accordingly, our growth rate during the two years ended December 31, 2015 and the five months ended May 31, 2016 may not be indicative of our future performance.

### **We rely on staff in our R&D department to maintain and enhance our APM products and services. Failure to retain staff in our R&D department would materially and adversely affect our business, financial conditions and results of operations.**

R&D department is our largest department, consisting of 90 employees in our R&D department as of May 31, 2016. Our R&D staff was primarily responsible for designing our core products such as the NetVista platform and spearheading the development of our network management and monitoring technologies such as the cloud-based SaaS platform. Substantially all of our core products were developed by our in-house R&D department. We rely on staff in our R&D department to maintain and enhance our APM products and services.

We do not impose restrictions in our employment contracts on staff in our R&D department from engaging in business in competition with us after leaving our Group. As confirmed by our Directors, it is not an industrial practice to impose these restrictions in employment contracts with R&D staff in the APM industry. Experienced R&D talents in the APM market are in high demand, and competition for talents is intense. If we experience high turnover among our R&D staff, and to the extent that we are unable to find suitable replacements, our R&D capability could be impacted, which would materially and adversely affect our business, financial conditions and results of operations.



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## **RISK FACTORS**

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**Errors, defects or disruptions to our products could diminish demand for our products, harm our financial results, and subject us to liability.**

Our customers use our products for important aspects of their businesses, and any errors, defects or disruptions to our products or other performance problems with our products could hurt our brand and reputation and may damage our customers' businesses. In the past, we have discovered software errors and bugs in our products after they have been released and new errors in our existing products may be detected in the future. Real or perceived errors or bugs in our products could result in loss of our competitive position, delay of payment, lower renewal rates or claims by customers for losses sustained by them. In such an event, we may be required, or may choose, for customer relations or other reasons, to expend additional resources in order to help correct the problem. As a result, we could lose future sales and our reputation and our brand could be harmed.

**Our ongoing and planned investments in developing new products may not yield the expected performance benefits and may negatively impact our financial results.**

We have made and will continue to make substantial investments in developing new products, like the cloud-based SaaS platform. It is difficult to predict customer adoption rates and demand for these products and the future growth rate and size of their market since the market for these products is less mature than that for our existing software applications. Our SaaS platform is a cloud-based APM monitoring solution, which allows customers to subscribe for our APM services by integrating their applications and networks with the cloud-hosted platform through Internet and only pay for the services and actual usage they are consuming. We expect the SaaS platform will be commercialized in the first half of 2017. The market acceptance of our SaaS platform depends on a number of factors, including the cost, performance, and perceived value associated with SaaS, as well as the ability of SaaS providers to address data security and privacy concerns. As a result, adoption rates of SaaS platform may be slower among subscribers in industries with heightened data security interests of business practices requiring high-customizable application software. We cannot assure you that our new products will achieve widespread market acceptance. If we cannot achieve market acceptance of our new products or there is less demand for these products, we will not achieve the expected benefits and our financial results will be adversely affected.

**If we experience information and technological system failures, our business operations could be significantly disrupted.**

Our business operations and success depend on the stable performance of our information and technological system, which we use to, among other things, communicate with our suppliers and customers, develop products and review products performance. Any system failure that interrupts our ability to provide services to our customers could significantly reduce the attractiveness of our services to customers and reduce our revenue. Our systems are vulnerable to a variety of events, including telecommunication failures, power shortages, malicious human acts and natural disaster. If we experience any breakdown, malfunctions or failure of our information and technological system, our services to be provided to our customers may be interrupted, thereby adversely affect our reputation, operation and financial results.

## **RISK FACTORS**

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**If we fail to adequately protect our customers' data, our reputation and business operations could be adversely affected.**

We collect network data from end users of our APM products and services to analyze the performance of our customers' applications and networks. Our operations involve handling of our customers' performance data, including transmission, storage and disposal of such data. Security breaches, computer malware and computer hacking attacks could expose us to a risk of loss of customers' performance data, resulting in severe reputational damage and loss of business opportunities. If our security measures are perceived as weak or actually compromised as result of third-party action, employee or customer error, malfeasance, stolen or fraudulently obtained log-in credentials or otherwise, our customer may curtail or stop using our service and products. Our reputation would hence be damaged and our business would be harmed, which could have a material and adverse effect on our results of operations and financial condition.

**We may encounter certain threats while entering China's SaaS-based APM industry.**

We have allocated significant internal resources to develop our cloud-based SaaS platform and expect to commercialize a cloud-based SaaS platform in the first half of 2017. However, China's SaaS-based APM market is currently dominated by a number of reputable players. See "Industry Overview – Competitive Landscape of China's SaaS-based APM Industry" for further details. We may fail to provide more reliable products at a reasonable price in order to gain market share from these major players. Moreover, China's SaaS-based APM market is also faced with potential security problem. Unlike on-premise APM solution which stores data and information at local facilities, SaaS-based APM solution uploads data into cloud database. Hence, it is essential for the providers to ensure the security of customers' data and information. The entire SaaS-based APM market might be challenged if security issue arises, which may in turn materially and adversely affect our business, results of operations and financial condition.

**We rely on third parties to provide hardware for our APM products and services, and disruption in the provision of hardware from third parties may affect our business operations.**

Our APM products and services require hardware components, such as agents and servers to install at our customers' terminals, to support their functionality. During the Track Record Period, our purchase of hardware components constituted the largest part of our procurement expenses, which accounted for approximately 79.3%, 94.3% and 81.7% of our total procurement expenses for 2014, 2015 and the five months ended May 31, 2016, respectively.

If there is any disruption in the provision of hardware from any of our current hardware suppliers, we cannot assure you that we will be able to identify alternative service providers with the capacity to meet our demands and our required quality standards in a timely manner. Should we experience any interruptions, delays or cessations in hardware delivery from our suppliers, our business, results of operations and financial condition could be materially and adversely affected.

## **RISK FACTORS**

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**We may be unable to attract and retain our key personnel including our executive Directors, senior management and key employees. Failing to do so would adversely affect our operations and growth.**

Our success and future growth depend largely upon the continued services of our executive Directors, senior management and other key employees in the areas of research and development, sales, services, and general administrative functions. In particular, Mr. Yue, our chairman and chief technology officer, Mr. Sie, our chief executive officer, and Mr. Guan, our chief sales officer, their industrial expertise and experience in our business operations, and their working relationships with, our customers, industry associations and relevant regulatory authorities have been instrumental in the development of our business operations. There is no assurance that these key personnel will not voluntarily terminate employment with our Group. The loss of any of our key personnel could be detrimental to our operation. Experienced personnel in the APM industry are in high demand, and competition for the relevant talents is intense. Many of the companies with which we compete for experienced personnel have greater resources than we have. We cannot assure you that we will be able to maintain an adequate skilled labor force necessary for us to execute our business, nor can we guarantee that staff costs will not increase as a result of a shortage in the supply of skilled personnel. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth could be adversely affected.

**We face certain risks relating to the properties that we lease.**

All of our office facilities are presently located on leased premises. At the end of each lease term, we may not be able to negotiate an extension of the lease and may therefore be forced to relocate to a different location, or the landlords may significantly increase the rent if we continue to utilize the leased premises. These risks and limitations could disrupt our operations and adversely affect our profitability. In addition, we may not be able to obtain new leases at desirable locations on acceptable terms to accommodate our future growth, which could materially and adversely affect our business.

In addition, we have one title defect with respect to certain property that we lease to operate our offices. In respect of one leased property in Hefei, Anhui province with a leased area of approximately 164 square meters which is primarily used as offices, our landlord had not provided us with evidence of its valid and enforceable building ownership rights or land use rights, the relevant title documents or evidence of its relevant rights or authority to lease such property as of the Latest Practicable Date. For details of this leased property, see "Business – Properties – Leased Properties – Title defects". Should disputes arise relating to the title encumbrances to this property, we may encounter difficulties in continuing to lease the property. Should it occur, we may be required to relocate and we may incur additional costs relating to such relocation as well as business interruption. Furthermore, we may not be able to find suitable alternative premises and our business may be adversely affected if we relocate to less desirable locations.

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## **RISK FACTORS**

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### **We may be subject to additional social insurance and housing reserve fund contributions and late payments or fines imposed by relevant regulatory authorities.**

During the Track Record Period, we did not make adequate social insurance and housing reserve fund contributions for all of our employees. As advised by our PRC legal advisers, we may be subject to late fees and fines for our insufficient contributions to the social insurance plans and housing reserve fund. As of the Latest Practicable Date, we did not receive any notice from the local authorities on any claim from our current and former employees regarding our inadequate contributions. See “Business – Legal Proceedings and Regulatory Compliance – Non-compliance – Social insurance plans and housing reserve fund” for further details. We made adequate provision for the shortfall amounts in social insurance and housing reserve fund contributions. However, our provision does not anticipate and thus does not include fines that may be imposed by the competent government authorities if we fail to rectify the non-compliance within a prescribed timeframe or the late fees. If we are ordered to pay fines or late fees, we may need to make additional provision to make up for the shortfall, which may adversely affect our results of operations and financial condition.

### **If we fail to compete cost-effectively, our operating results could be harmed.**

As an emerging segment of China’s IT industry, China’s APM industry is relatively at its early stage. According to the F&S Report, China’s APM industry witnessed rapid growth over the past few years, with its market size increasing from approximately RMB116.5 million in 2010 to approximately RMB672.3 million in 2015, representing a CAGR of approximately 42.0% from 2010 to 2015, and the top three players commanded a consolidated market share of approximately 45.9% in terms of contract value in 2015. We compete primarily with a number of reputable players in China, such as Dynatrace LLC, NetScout Systems, Inc., Beijing Networkbench Inc. and OneAPM Inc. Some of our competitors and potential competitors are larger and have greater name recognition, longer operating histories, more established customer relationships, larger budgets, and significantly greater resources than we do, and have the operating flexibility to bundle competing products and services with other software offerings at little or no perceived incremental cost, including offering them at a lower price as part of a larger sale. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, or customer requirements. In addition, some competitors may offer products or services that address one or a limited number of functions at lower prices or with greater depth than our products. Our current and potential competitors may develop and market new technologies with comparable functionality to our products, which may compel us to lower our prices in order to remain competitive.

With the introduction of new technologies, the evolution of our products and new market entrants, we expect competition to intensify in the future. Moreover, we may face additional competition as we expand the scope of our solutions. If we are unable to maintain our current pricing due to the competitive pressures, our margins will be reduced and our operating results will be negatively affected. In addition, pricing pressures and increased competition generally could result in reduced sales, reduced margins, losses, or the failure of our solutions to achieve or maintain more widespread market acceptance, any of which could harm our business.

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## **RISK FACTORS**

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### **Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.**

Our success depends to a significant degree on our ability to protect our proprietary technology and our brand. We rely on a combination contractual restrictions, intellectual property laws and confidentiality procedures to establish and protect our proprietary rights. However, the steps we take to protect our intellectual property may be inadequate. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. If we fail to protect our intellectual property rights adequately, our competitors may gain access to our technology and our business may be harmed. In addition, defending our intellectual property rights might entail significant expense. Any patents, trademarks, or other intellectual property rights that we obtain may be challenged by others or invalidated through administrative process or litigation. As of the Latest Practicable Date, we were the registered owner of six trademarks, 29 registered software copyrights and eight pending patent applications in China, and the registered owner of two trademarks in Hong Kong. Despite the pending patent applications, we may be unable to obtain any patent protection for our technology. In addition, any patents issued in the future may not provide us with competitive advantages, or may be successfully challenged by third parties. Despite our precautions, it may be possible for unauthorized third parties to copy our products and use information that we regard as proprietary to create products and services that compete with ours. Our inability to protect our proprietary technology against unauthorized copying or use could delay further sales or the implementation of our products, impair the functionality of our products, delay introductions of new solutions, result in our substituting inferior or more costly technologies into our products, or injure our reputation.

### **Our insurance coverage may not fully protect us against certain risks.**

Insurance companies in China currently do not offer as extensive an array of insurance products as their counterparts in more developed economies. We therefore only maintain limited insurance coverage. For instance, we do not maintain key person insurance for our executive officers or product liability insurance. Any defects or errors in our APM products may cause damage to our customers, and may lead to additional costs or expenses arising from claims against us. We have not taken out any insurance policy on our liability for defects or errors in our APM products as we have never had a product liability claim made against us. If the amount involved in any of these addition works or claims is substantial, our reputation and results of operations could be adversely affected. Based on our belief of the customary practice in China, the costs of insuring against these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. As a result, a significant product liability claim may result in our incurring substantial costs and the diversion of resources. The lack of key person insurance means that we are less protected from the risk of key employees leaving. These could have a material adverse effect on our results of operations and financial condition.

### **Preferential tax treatment currently available to us could be discontinued or reduced.**

Under the PRC tax law, enterprises are generally subject to enterprise income tax at a standard rate of 25.0%. Preferential tax treatments are available to certain companies, industries and regions. For example, Vixtel Technologies, our principal PRC operating

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## RISK FACTORS

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subsidiary, was first recognized as a “high and new technology enterprise” (高新技術企業) in December 2010 by the Beijing Municipal Science & Technology Commission (北京市科學技術委員會). The “high and new technology enterprise” (高新技術企業) certificate has to be reapplied in every three years. It subsequently successfully reapplied for such certificate and was therefore entitled to a preferential corporate income tax rate of 15.0% until December 31, 2015. We have reapplied for the “high and new technology enterprise” (高新技術企業) certificate and expect to obtain the certificate in the first quarter of 2017, which will allow Vixtel Technologies to continue the preferential income tax rate of 15.0% for another three consecutive years. If the PRC government changes its tax policy of supporting new technology development or if we cease to be eligible for certain preferential tax treatment, we may have to pay tax at the standard rate, which would adversely affect our performance and profitability.

**Our revenue growth depends on the continuous growth of Internet usage and infrastructure. If use of the Internet does not continue to grow and the demand for APM products and services declines, our revenue and growth could be adversely affected.**

Our business and financial results depend on the continuous growth in the use of Internet, whether through computers or other mobile connected devices. We believe Internet usage may be inhibited for a number of reasons, many of which are beyond our control, including but not limited to:

- security concerns;
- unavailability of inexpensive and high speed service;
- inconsistent quality of service; and
- inadequate network infrastructure.

If use of the Internet does not continue to grow and the demand for APM products and services declines accordingly, our revenue and growth could be adversely affected.

**Our business may be subject to seasonal effects, and any disruption of business during our busy seasons could adversely affect our liquidity and results of operations.**

Our business generally experiences some effects of seasonal variations. We generally achieve higher sales of our products and services in the first and fourth quarters as compared to the second and third quarters when our customers, particularly the state-owned enterprises, tend to place more orders around the end of their fiscal years primarily due to their annual budget schemes. As such, our revenues for the first and fourth quarters are generally higher than those of the other two quarters in a given year. However, our revenues also fluctuate due to other factors affecting our income such as the general economic environment in China. The seasonality changes may cause fluctuations in our financial results and any occurrence that disrupts our business during our busy seasons could have a disproportionately material adverse effect on our liquidity and results of operations.



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## **RISK FACTORS**

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### **We may not be able to obtain additional capital at acceptable terms or at all.**

We believe our current cash, cash equivalents and cash flow from operations will be sufficient to meet our anticipated cash needs including for working capital and capital expenditures. However, we may require additional cash resources due to evolved business conditions or other future developments. If our current cash resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity, equity-linked or debt securities or obtain a credit facility. The sale of additional equity or equity-linked securities could result in additional dilution to our Shareholders. The incurrence of indebtedness would result in increased debt service obligations and may result in operating and financing covenants that would restrict our operations and liquidity. We may also fail to obtain sufficient credit facility, or at all, since our asset-light business model to a large extent limits the value of collateral we can offer to a creditor.

In addition, our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors' perception of, and demand for, securities of companies like us;
- conditions of the capital markets in which we may seek to raise funds;
- our future results of operations, financial condition and cash flows;
- the development of PRC laws and regulations on the APM industry in China;
- economic, political and other conditions in China; and
- PRC governmental policies relating to foreign currency borrowings.

We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all. Any failure to raise additional funds on commercially reasonable terms could have a material adverse effect on our liquidity and financial condition.

### **We may encounter difficulties in managing our growth or developing appropriate internal organizational structures, internal control environment and risk monitoring and management systems in line with our significant growth, which could negatively affect our business, results of operations, and financial condition.**

Our growth has placed, and is expected to place, a significant strain on our managerial, operational and financial resources. Accordingly, we are required to develop and implement appropriate structures for internal organization and information flow, an effective internal control environment and risk monitoring and management systems in line with our significant growth, as well as to hire and integrate qualified employees into our organization, which will cost significant management resources. We may incur substantial costs and expend substantial resources in connection with any such significant growth or in order to respond to more

## **RISK FACTORS**

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challenging market conditions due to, among other things, changing regulatory and industrial standards. We also will need to continue to expand, train, manage and motivate our workforce as well as manage our relationships with existing customers. All of these endeavors will require substantial management resources and the incurrence of additional costs and expenditures. We cannot assure you that we will be able to effectively manage our growth.

In addition, the disclosure and other ongoing obligations associated with becoming a public company will increase the challenges to our finance and accounting team. We cannot assure you that our existing internal control and risk monitoring and management systems will be adequate. Therefore, if we fail to appropriately develop and implement structures for internal organization and information flow, an effective internal control environment and a risk monitoring and management system, we may not be able to identify unfavorable business trends, administrative oversights or other risks that could materially and adversely affect our business, results of operations and financial condition.

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

**We are exposed to risks relating to the social, political and economic conditions in China.**

All of our operations are conducted in China. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political and social conditions in China. Any changes in the political, economic and social conditions of China, in particular the policy in relation to Internet and software industries in China, may adversely affect our business and viability. The PRC government has undergone various reforms of its economic systems. Such reforms have resulted in economic growth for China in the past. However, many of the reforms may be unprecedented or experimental, and are expected to be refined and modified from time to time. In addition, the scope, application and interpretation of laws relating to such reforms may be uncertain. Other political, economic and social factors may also lead to further refinement or adjustment of the reform measures. This refinement and adjustment process may consequently have a material adverse impact on our business operations and financial performance in China. Our results and financial conditions may be adversely affected by any changes in the political, economic and social conditions of China and by changes in policies of the PRC government with regard to Internet and software industries or changes in laws, rules and regulations or the interpretation or implementation thereof.

**Any slowdown in the Chinese economy may affect the industries in which we or our customers operate and result in a material and adverse effect on our business, results of operations and financial condition.**

We expect substantially all of our revenue going forward to derive from the provision of APM products and services. We rely primarily on domestic demand to achieve growth in our revenue. We believe such demand is materially affected by industrial development and the overall economic growth in China as well as policy support for our industry and for our services. Any deterioration of the Internet and software industries in China resulting from a



## **RISK FACTORS**

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global economic downturn or the PRC government's macroeconomic measures affecting these industries may have a material and adverse effect on our financial performance. Furthermore, any deterioration in the financial condition of our customers or any industry-specific difficulties encountered by these customers could affect our business, thereby materially and adversely affecting our business, financial condition and results of operations.

Furthermore, the global crisis in financial services and credit markets since 2008 caused a slowdown in the growth of the global economy with a corresponding impact on the Chinese economy. The past five years witnessed a downside trend regarding China's real GDP growth rate, which decreased from approximately 10.6% to approximately 6.9% for the period from 2010 to 2015, according to the F&S Report. If the crisis in global financial services and credit markets were to persist, there is no certainty as to its impact on the global economy, especially the Chinese economy. As a result of global economic cycles, we cannot assure you that the Chinese economy will grow in a sustained or steady manner. Any slowdown or recession in the Chinese economy may in turn have a material adverse effect on our business, results of operations and financial condition.

**We may be adversely affected by the complexity, uncertainties and changes in the regulation of Internet-related businesses and companies in China.**

The PRC government extensively regulates the Internet industry, including foreign ownership of, and the licensing requirements pertaining to, companies in the Internet industry. These Internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainty. As a result, in certain circumstances some actions or omissions may be deemed to be violations of applicable laws and regulations. Risks and uncertainties relating to PRC regulation of the Internet-related business include, but are not limited to, the following:

- There are uncertainties relating to the regulation of the Internet-related business in China, including evolving licensing practices. This means that some of our licenses or operations in China may be subject to challenge, or we may fail to obtain licenses that may be deemed necessary for our operations or we may not be able to obtain or renew certain licenses. If we fail to maintain any of these required licenses, we may be subject to various penalties, including fines and discontinuation of or restriction on our operations in China. Any such disruption in our business operations in China may have a material and adverse effect on our results of operations in China.
- New laws and regulations may be promulgated in China to regulate Internet activities, including APM products and services and Internet-related application design and production. If these new laws and regulations are promulgated, additional licenses and/or cost of compliance may be required for our operations. If our operations are not in compliance with these new laws and regulations after they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties or restriction on our operations in China.

## **RISK FACTORS**

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As confirmed by our PRC legal advisers, Jingtian & Gongcheng Attorneys at Law, Vixtel Technologies, our PRC subsidiary, is not required to obtain any other industry-specific permit for carrying out our business in China, except for those we have obtained. Given that the interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the Internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, Internet-related businesses in China, including our business in China, there is no assurance that we have obtained all the licenses required for conducting our business in China or will be able to maintain our existing licenses or obtain any new licenses required under any new laws or regulations. There is also no assurance that the PRC government will not require us to obtain additional licenses in the future. If new regulations require us to obtain additional licenses, we may be prevented from operating in China if we are unable to obtain the required licenses. Any change in the PRC laws and regulations may therefore significantly disrupt our operations in China and materially and adversely affect our business, results of operations and financial conditions in China.

### **Uncertainties regarding interpretation and enforcement of the PRC laws, rules and regulations may impose adverse impact on our business, operations and profitability.**

Our business and operations in China are governed by the legal system of China. Although many laws, rules and regulations have been promulgated in China and amended since 1978, the PRC legal system is still not sufficiently comprehensive when compared to the legal systems of certain developed countries. The interpretation of the PRC laws, rules and regulations may be influenced by changes in monetary policy and changes in the domestic, political and social conditions. Accordingly, the outcome of dispute resolutions may not be consistent or predictable. In addition, it may also be difficult to enforce judgments and arbitration awards in China, or to obtain enforcement of judgment by a court of another jurisdiction. Many laws and regulations in China are promulgated in broad principles and the PRC government has gradually laid down implementation rules and has continued to refine and modify such laws, rules and regulations. As the PRC legal system develops, the promulgation of new laws or refinement and modification of existing laws may affect foreign investors. We cannot guarantee that (1) future changes in legislation or interpretation thereof will not have an adverse effect on our business, operations or profitability, and (2) the PRC government will not issue further directives, regulations, clarifications or implementation rules requiring our Group to obtain further approvals in relation to our business and operations.

### **We may be affected by PRC government control over the conversion of foreign exchange.**

All of our revenue was denominated and settled in RMB during the Track Record Period. At present, RMB is not freely convertible to other currencies. Under the current foreign exchange regulations of China, no approval from the national departments in charge of the administration of foreign exchange control is required for RMB conversion for the sole purpose of current account transactions, including trade and service related foreign exchange transactions and payment of dividends to foreign investors. Foreign exchange transactions in respect of capital account items including the foreign currency capital in any foreign

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## **RISK FACTORS**

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investment enterprise in China, the repayment of foreign currency loans and the payment pursuant to foreign currency guarantees continue to be subject to significant foreign exchange controls and require the prior approval of national departments in charge of the administration of foreign exchange control or its local counterparts. There is no assurance that the PRC government will not impose more stringent restrictions on the convertibility of RMB especially relating to foreign exchange transactions.

### **Fluctuations in the exchange rates of RMB may adversely affect your investment.**

The exchange rates of RMB against foreign currencies, including the Hong Kong dollar, are affected by, among other things, changes in political and economic conditions in China and the country of the foreign currency. To the extent that we need to convert Hong Kong dollars we receive from the [REDACTED] into RMB for our operations, appreciation of RMB against the Hong Kong dollar would reduce the RMB amount we receive from the conversion. Conversely, if we decide to convert our RMB into Hong Kong dollars for the purpose of paying dividends on our Shares, appreciation of the relevant foreign currency against RMB would have a negative effect on the foreign currency amount available to us.

### **You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.**

We are incorporated in the Cayman Islands. Almost all of our assets and some of the assets of our Directors are located in China. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, the PRC Supreme Court and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排). Under such arrangement, where any designated people's court of China or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people's court of China or Hong Kong court for recognition and enforcement of the judgment. The arrangement came into effect on August 1, 2008, but the outcome and enforceability of any action brought under the arrangement is still uncertain. In addition, China is not a party to any treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, most other Western countries or Japan, and therefore enforcement in China of judgments of a court in any of these jurisdictions may be difficult or impossible.

### **We principally rely on dividends and other distributions on equity paid by our PRC subsidiary to fund any cash and financing requirements we may have and any limitation on our PRC subsidiary's ability to make payments to us could have a material and adverse effect on our ability to conduct our business or financial condition.**

We are a Cayman Islands holding company and conduct substantially all of our operations through Vixtel Technologies, our PRC subsidiary. We rely principally on dividends and other distributions on equity by our PRC subsidiary for our cash requirements, including the funds

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## **RISK FACTORS**

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to pay dividends and to service any debt we may incur or financing we may need for our operations. In addition, if our PRC subsidiary incurs debt in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us as well. Furthermore, under PRC laws and regulations, our PRC subsidiary is only permitted to pay dividends out of their retained earnings, if any, determined in accordance with PRC accounting standards and regulations. Under PRC laws, our PRC subsidiary is also required to set aside at least 10.0% of its after-tax profit based on PRC accounting standards each year to their general reserves until the cumulative amount of such reserves reaches 50.0% of its registered capital. These reserves are not distributable as cash dividends, loans or advances. Our PRC subsidiary may also allocate a portion of its after-tax profits based on PRC accounting standards, as determined by its shareholder, to its staff welfare and bonus funds, which may not be distributed to us. In addition, under the PRC Enterprise Income Tax Law and its implementation rules, dividends generated from our PRC subsidiary's business in China and payable to our Company generally will be subject to a withholding tax rate of 10.0%. As a result of these and other restrictions under PRC laws and regulations, our PRC subsidiary is restricted from transferring a portion of its assets to us as dividends, loans or advances. We cannot assure you that our PRC subsidiary will generate sufficient earnings and cash flows in the near future to pay dividends or otherwise distribute sufficient funds to enable us to meet our obligations, pay interest and expenses or declare dividends.

**PRC regulations over loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiary.**

Any funds we transfer to Vixtel Technologies, our PRC subsidiary, either as a shareholder loan or as an increase in registered capital, are subject approval by registration with relevant PRC regulatory authorities. According to the relevant PRC regulations on foreign-invested enterprises, capital contributions by an offshore holding company to its wholly-owned subsidiary in China are subject to approval of the MOFCOM or its local branches and registration with other regulatory authorities in China. In addition, any foreign loan procured by our PRC subsidiary is required to be registered with SAFE or its local branches, and our PRC subsidiary may not procure loans exceeding the difference between their registered capital and their total investment amount as approved by the MOFCOM or its local branches. We may not obtain these government approvals or complete such registrations on a timely basis, or at all, with respect to future capital contributions or foreign loans by us to our PRC subsidiary. If we fail to receive such approvals or complete such registration, our ability to use the proceeds of the [REDACTED] to fund our operations in China may be negatively affected, which in turn could adversely affect our ability to finance and expand our business.

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

**There has been no prior public market for our Shares, and the liquidity, market price and trading volume of our Shares may be volatile.**

Prior to the [REDACTED], there was no public market for our Shares. The [REDACTED] may differ significantly from the market price of our Shares following the [REDACTED]. We have applied for the [REDACTED] of and permission to [REDACTED]

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## RISK FACTORS

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our Shares on [REDACTED]. However, even if approved, being [REDACTED] on [REDACTED] does not guarantee that an active trading market for our Shares will develop following the [REDACTED] or that our Shares will always be [REDACTED] and [REDACTED] on [REDACTED]. We cannot assure you that an active trading market will develop or be maintained following the completion of the [REDACTED], or that the market price of our Shares will not decline below the [REDACTED].

The price and trading volume of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, inter alia, the following factors, some of which are beyond our Group's control:

- variations in our Group's results of operations;
- success or failure of our Group's management team in implementing stated business and growth strategies;
- gain or loss of an important business relationship(s);
- changes in securities analysts' recommendations, perceptions or estimates of our Group's financial performance;
- changes in conditions affecting the industry, the general economic conditions or stock market sentiment or other events and factors;
- changes in market valuations and share prices of companies that may be listed in Hong Kong;
- additions or departures of key personnel;
- fluctuations in market prices for our services;
- fluctuations in stock market prices and volume; or
- involvement in litigation.

In addition, shares of other companies listed on [REDACTED] have experienced substantial price volatility in the past, and it is likely that from time to time, our Shares will be subject to changes in price that may not be directly related to our financial or business performance.

**Investors for our Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.**

The [REDACTED] is higher than the net tangible asset value per Share. Therefore, investors of the [REDACTED] will experience an immediate dilution in the unaudited pro forma adjusted combined net tangible asset value to HK\$[REDACTED] per Share and HK\$[REDACTED] per Share based on the [REDACTED] of HK\$[REDACTED] per Share and HK\$[REDACTED] per Share, respectively.

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## **RISK FACTORS**

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We may need to raise additional funds in the future to finance expansion of or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to our existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the [REDACTED].

### **We may not be able to pay any dividends on the Shares.**

We declared a dividend of RMB10.0 million, of which RMB3.8 million was paid in the five months ended May 31, 2016 from our cash, and the remainder of the dividend declared was settled as of the Latest Practicable Date. However, our Group's historical dividend distribution should not be used as a reference or basis to determine the level of dividends that may be declared and paid by our Group in the future. Subject to the Companies Law and the Articles, our Company may declare dividends in any currency, but no dividend shall be declared in excess of the amount recommended by our Board. The Articles provide that dividends may be declared and paid out of the profits of our Company, realized or unrealized, or from any reserve set aside from profits which our Directors determine is no longer needed. Our Company can also pay dividends out of the share premium with the approval of our Shareholders and subject to a statutory solvency test. There can be no assurance that we will be able to declare or distribute any dividend or at all in the future. The dividend policy is subject to review by our Directors at any time and our Company may determine not to pay any dividends as a result of such review.

### **Future sale of the Shares or major divestment of the Shares by our Controlling Shareholders or substantial shareholders of our Company could adversely affect the Share price.**

The sale of a significant number of Shares in the public market after the [REDACTED], or the perception that such sale may occur, could adversely affect the market price of the Shares. Except as otherwise described in "[REDACTED]" and the restrictions set out by the GEM Listing Rules, there is no restriction imposed on our Controlling Shareholders or substantial shareholders of our Company to dispose of their shareholdings. Any major disposal of Shares by any of our Controlling Shareholders or substantial shareholders of our Company may cause the market price of the Shares to fall. In addition, these disposals may make it more difficult for our Group to issue new Shares in the future at a time and price that our Directors deem appropriate, thereby limiting our ability to raise capital.

### **The interest of our Controlling Shareholders may not always coincide with the interest of our Group and those of our other Shareholders.**

Upon completion of the [REDACTED] (but not taking into account the allotment and issue of Shares upon exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme), our Controlling Shareholders will own, in aggregate, approximately [REDACTED]% of our Shares. Our Controlling Shareholders will therefore, have



## **RISK FACTORS**

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significant influence over the operations and business strategies of our Group, and may have the ability to require our Group to effect corporate actions according to their own desires. The interests of our Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders chooses to cause our Group's business to pursue strategic objectives that conflict with the interests of other Shareholders, our Group or those other Shareholders may be adversely affected as a result.

**Certain facts, forecasts and statistics in this document relating to China, the economic conditions thereof and the APM industry derived from official government publications, market data providers and other independent third-party sources may not be reliable.**

Facts, forecasts and other statistics in this document relating to China, the economic conditions thereof, and the APM industry are derived from various official government publications, market data providers and other independent third-party sources, including the Frost & Sullivan, an independent industry expert, which we generally believe to be reliable. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by our Company, the [REDACTED] or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China.

We have, however, taken reasonable care in the reproduction or extraction of the official government publications and reports of other market data providers and other independent third-party sources for the purpose of disclosure in this document. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts and statistics in this document may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

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

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to the publication of this document, there has been press and media coverage regarding us and the [REDACTED] including certain news articles alleging us that we were a spy enterprise (間諜企業) providing the necessary technologies to assist in government surveillance. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information, and certain accusations against us which may not be accurate. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility

## **RISK FACTORS**

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for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

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

This document contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate,” “believe,” “could,” “expect,” “may,” “ought to,” “should” or “will” or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although we believe the assumptions on which the forward-looking statements based on are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved and investors should not place undue reliance.



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

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**[REDACTED]**

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

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**[REDACTED]**

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

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[REDACTED]

**EXCHANGE RATE CONVERSION**

Unless otherwise specified, amounts denominated in RMB, Hong Kong dollars and US dollars have been translated into other currencies in this document, for the purpose of illustration only, at the following exchange rates:

RMB1.0000 : HK\$1.1245 (set by the PBOC for foreign exchange transactions prevailing on the Latest Practicable Date); and

US\$1.0000 : HK\$7.7571 (set by the PBOC for foreign exchange transactions prevailing on the Latest Practicable Date).

No representation is made that any amounts in RMB, Hong Kong dollars and US dollars were or could have been or could be converted into each other at such rates or any other exchange rates on such date or any other date.

**ROUNDING**

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

**LANGUAGE**

If there is any inconsistency between this document and the Chinese translation of this document, this document shall prevail. If there is any inconsistency between the names of any of the entities mentioned in this document which are not in the English language and their English translations, the names in their respective original language shall prevail.

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

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**DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
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**Executive Directors**

Yue Yong (岳勇)	Room 103, Unit 1, 12/F No. D South Lane Dashanzi Chaoyang District Beijing China	Chinese
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Sie Tak Kwan (施德群)	Flat 108, 1/F, Block 34 Heng Fa Chuen Chai Wan Hong Kong	Chinese
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Guan Haiqing (管海卿)	Room 302, No. 26, Lane 135 Lin Fen Road Zhabei District Shanghai China	Chinese
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**Non-executive Director**

Liang Judong (梁炬東)	Yi Xin Yuan 5-2-608 Star River Garden Da Shi, Pan Yu District Guangzhou China	Chinese
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**Independent Non-executive  
Directors**

Cheung Hon Fai (張漢輝)	Flat D, 15/F, Tower One Euston Court 6 Park Road Mid-levels Hong Kong	Chinese
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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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<b>Name</b>	<b>Address</b>	<b>Nationality</b>
Lam Kin Man (林健文)	Unit F, Level 6 Tower 23A, Ocean Vista 8 Laguna Verde Avenue Laguna Verde Hung Hom Kowloon Hong Kong	Chinese
Shen Qi (沈奇)	Flat 601, No. 15, Lane 59 Pingyang Road Minhang District Shanghai China	Chinese

For further information regarding our Directors, see "Directors and Senior Management".

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

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**Sole Sponsor and [REDACTED]**

KGI Capital Asia Limited  
41/F, Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

[REDACTED]

**Legal Advisers to our Company**

*as to Hong Kong law:*  
F. Zimmern & Co.  
Rooms 1002-1003  
10/F, York House  
The Landmark  
15 Queen's Road Central  
Hong Kong

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

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*as to PRC law:*  
Jingtian & Gongcheng  
34/F, Tower 3  
China Central Place  
77 Jianguo Road  
Chaoyang District  
Beijing  
China

*as to Cayman Islands law:*  
Appleby  
2206-19 Jardine House  
1 Connaught Place  
Central  
Hong Kong

**Legal Advisers to the Sole Sponsor and  
the [REDACTED]**

*as to Hong Kong law:*  
Wilson Sonsini Goodrich & Rosati  
Suite 1509, 15/F, Jardine House  
1 Connaught Place  
Central  
Hong Kong

*as to PRC law:*  
Commerce & Finance Law Offices  
6/F, NCI Tower  
12A Jianguomenwai Avenue  
Chaoyang District  
Beijing  
PRC

**Auditors and Reporting Accountants**

Ernst & Young  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

**Compliance Adviser**

KGI Capital Asia Limited  
41/F, Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office</b>	P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Headquarters in the PRC</b>	4/F, Block 2 Founder Building 9 Shangdi Fifth Street Haidian District Beijing China
<b>Principal place of business in Hong Kong</b>	18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
<b>Company's website</b>	<b><u><a href="http://www.vixtel.com">www.vixtel.com</a></u></b> <i>(Note: information on the Company's website does not form part of this document)</i>
<b>Compliance officer</b>	Sie Tak Kwan Flat 108, 1/F, Block 34 Heng Fa Chuen Chai Wan Hong Kong
<b>Company secretary</b>	Li Oi Lai (ACIS, ACS, FCPA, FAIA) 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
<b>Authorized representatives (for the purpose of the GEM Listing Rules)</b>	Sie Tak Kwan Flat 108, 1/F, Block 34 Heng Fa Chuen Chai Wan Hong Kong



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## CORPORATE INFORMATION

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Li Oi Lai (*ACIS, ACS,  
FCPA, FAIA*)  
18/F, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

**Members of the Audit Committee**

Cheung Hon Fai (*Chairman*)  
Lam Kin Man  
Shen Qi

**Members of the Remuneration Committee**

Lam Kin Man (*Chairman*)  
Cheung Hon Fai  
Shen Qi  
Sie Tak Kwan

**Members of the Nomination Committee**

Cheung Hon Fai (*Chairman*)  
Lam Kin Man  
Shen Qi  
Sie Tak Kwan

[REDACTED]

**Principal banker**

Industrial and Commercial Bank of China  
Beijing Zhongguancun Subbranch  
2 Information Road  
Haidian District  
Beijing  
China

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## REGULATIONS

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

### REGULATIONS ON SOFTWARE ENTERPRISES CERTIFICATION

Pursuant to the Several Policies of the State Council on Encouraging the Development of the Software Industry and Integrated Circuit Industry (國務院關於鼓勵軟件產業和集成電路產業發展的若干政策) (“**Document Guo Fa No. 18**”) which was promulgated by the State Council on June 24, 2000 and came into effect on July 1, 2000, any software enterprise and integrated circuit enterprise established in China may, regardless of the property of ownership, enjoy the treatment of preferential policies on investment and finance, taxation, industrial technology, export, income distribution, talent attraction and cultivation and purchasing. The software enterprises shall be supported to seek financing by listing abroad. A software enterprise matching the qualifications of listing abroad after verification shall be permitted to apply for financing by listing abroad.

Pursuant to the Circular of the State Council on Printing and Distributing Policies for Further Encouraging the Development of the Software Industry and the Integrated Circuit Industry (國務院關於印發進一步鼓勵軟件產業和集成電路產業發展若干政策的通知) (“**Document Guo Fa No. 4**”) which was promulgated by the State Council and came into effect on January 28, 2011, Policies defined in the Document Guo Fa No. 18 shall continue to be implemented and these Policies shall prevail in case of any inconsistency between any relevant policies and these Policies. These Policies further stipulated preferential value added tax policies for software shall continue to be implemented and relevant preferential business tax policies shall be further implemented and improved.

Pursuant to the Circular of the Ministry of Finance, the State Administration of Taxation, the National Development and Reform Commission and the Ministry of Industry and Information Technology on Issues concerning Preferential Enterprise Income Tax Policies for Software and Integrated Circuit Industries (財政部、國家稅務總局、發展改革委、工業和資訊化部關於軟件和集成電路產業企業所得稅優惠政策有關問題的通知), which was promulgated on May 4, 2016, the software enterprise refers to the enterprise that takes the development and sales (business) of software products as main business and meanwhile meets the following conditions: (1) the enterprise is a resident enterprise registered within the territory of China (not including Hong Kong, Macao and Taiwan) according to the law; (2) in the year of final settlement, the employees who have signed labor contracts with the enterprise and hold educational credentials of junior college or above shall account for not less than 40% of the total number of employees of the enterprise each month on average; in particular, the personnel engaged in research and development shall account for not less than 20% of the said total number; (3) the enterprise owns core or key technologies and carries out operating activities based on such technologies, and the total research and development expenditures in the year of final settlement shall account for not less than 6% of the total sales (business) income of the enterprise; in particular, the research and development expenditures incurred by the enterprise within the territory of China shall account for not less than 60% of the total research and development expenditures; (4) the sales (business) income from the development of software

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## REGULATIONS

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products in the year of final settlement shall account for not less than 50% of the total income of the enterprise (the sales (business) income from the development of embedded software products and integrated information system products shall account for not less than 40% of the total income of the enterprise); in particular, the sales (business) income from the independent development of software products shall account for not less than 40% of the total income of the enterprise (the sales (business) income from the independent development of embedded software products and integrated information system products shall account for not less than 30% of the total income of the enterprise); (5) the enterprise holds proprietary intellectual property rights in respect of the main business; (6) the enterprise has the development resources including software and hardware facilities (such as legal development tools) suitable for software development; and (7) the enterprise has not been involved in any major safety or quality accident or committed any serious environment-related illegal act in the year of final settlement.

Pursuant to the Circular of the People's Government of Beijing Municipal on Printing and Distributing Several Policies of the Beijing Municipality on Further Promoting the Development of the Software Industry and the Integrated Circuit Industry (北京市人民政府關於印發北京市進一步促進軟件產業和集成電路產業發展若干政策的通知), the relevant authorities shall encourage software enterprises to conduct mergers and acquisitions, strengthen the strategic cooperation with the policy banks so that more software enterprises may enjoy preferential export credit rate of the policy banks for their special overseas mergers and acquisitions loans. For large mergers and acquisitions projects implemented by using commercial bank loans, interest subsidies may be given. The integrated circuit design industry is regarded as the software industry, to which the relevant policies for the software industry shall apply. The relevant authorities shall innovate the investment and financing modes of the integrated circuit industry. Give play to the role of the governments in fund guidance, expand venture capital and other fund channels, encourage and attract institutional investors, industrial capital and overseas capital to participate in the formation of the integrated circuit industry development funds, support the collaborative development of all links of the integrated circuit industry chain by ways of equity investments and others and promote the mergers and acquisitions and reorganizations between key enterprises as well as the construction of industrial parks. Earnestly implement various tax preferential policies on value-added tax, enterprise income tax and other taxes in Document Guo Fa No. 4. Departments of finance and taxation and the competent departments of the industry shall establish a joint working mechanism to coordinate the issues arising in the implementation of the policies.

### REGULATIONS ON SOFTWARE PROTECTION

Pursuant to the Copyright Law of the PRC (中華人民共和國著作權法) which was promulgated by the SCNPC on September 7, 1990, last amended on February 26, 2010 and came into effective on April 1, 2010, computer software is covered by the copyright protection.

Pursuant to the Regulations on Computer Software Protection (計算機軟件保護條例) which was promulgated by the State Council on December 20, 2001, last amended January 30, 2013 and came into effect on March 1, 2013, Chinese citizens, legal entities or other organizations enjoy, in accordance with these Regulations, copyright in the software which

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## **REGULATIONS**

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they have developed, whether published or not. A software copyright owner shall enjoy the right of divulcation, developer-ship, alteration, reproduction, distribution, rental, communication through information network, translation and other rights which shall be enjoyed by software copyright owners. The software copyright shall exist from the date on which its development has been completed. In the case of software copyright a legal entity or other organization, the term of protection shall be fifty years, expiring on December 31 of the fiftieth year after the first publication of such software; however, if any such software has not been published within fifty years from the date on which its development has been completed, it shall be no longer protected under these Regulations.

Pursuant to the Measures for the Registration of Computer Software Copyright (計算機軟件著作權登記辦法) which was promulgated and implemented by the National Copyright Administration on February 20, 2002, the National Copyright Administration shall be in charge of the administration of the registration of software copyright of the whole country. The National Copyright Administration accredits the China Copyright Protection Center as the body for software registration.

### **REGULATIONS ON OTHER INTELLECTUAL PROPERTY**

#### **Patent**

Pursuant to the Patent Law of the PRC (中華人民共和國專利法) promulgated on March 12, 1984, last amended on December 27, 2008 and effective on October 1, 2009, there are three types of patents, which are invention patents, design patents and utility model patents. Invention patents are valid for 20 years since the application date, design patents and utility model patents are valid for 10 years since their respective application dates. Persons or entities who use patents without the consent of the patent owners, make counterfeits of patented products, or engage in activities that infringe upon patent rights are held liable to the patent owner for compensation and may be subject to fines and even criminal punishment.

#### **Trademark**

Pursuant to the Trademark Law of the PRC (中華人民共和國商標法) promulgated on August 23, 1982, last amended on August 30, 2013 and effective on May 1, 2014 and the Implementing Regulations of the Trademark Law of the PRC (中華人民共和國商標法實施條例) promulgated by the State Council on August 3, 2002, amended on April 29, 2014 and effective on May 1, 2014, registered trademark means trademarks that have been approved by and registered with the trademark office, including goods marks, service marks, collective marks and certification marks. A registered trademark is valid for 10 years commencing on its application date. Any of the following behaviors may be deemed as an infringement upon the right to exclusive use of a registered trademark, including (1) using a trademark which is identical with or similar to the registered trademark on the same or similar commodities without authorization; (2) selling the commodities that infringe upon the right to exclusive use of a registered trademark; (3) forging, manufacturing the marks of a registered trademark of others without authorization, or selling the marks of a registered trademark forged or

## **REGULATIONS**

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manufactured without authorization; (4) altering the trademark registrant's registered trademark without authorization of the same and selling goods bearing such altered trademark; (5) providing convenience for or even help others to infringe the exclusive right to use a registered trademark on purpose; and (6) causing other damage to the right to exclusive use of a registered trademark of another person.

### **REGULATIONS ON DATA PRIVACY**

The Provisions on Protection of Personal Information of Telecommunications and Internet Users (電信和互聯網用戶個人信息保護規定) ("**PRC Data Privacy Provisions**"), which was promulgated by the Ministry of Industry and Information Technology on July 16, 2013 and came into effect on September 1, 2013, apply to the activities involved in collecting or using "personal information" of the users during the provision of telecommunications service and internet information service within the territory of the PRC. "Personal information" refers to the information that is able to identify the user individually or in combination with other information and that is collected in the course of the provision of services by the telecommunications business operators and internet information service providers, such as name, date of birth, identification document number, address, telephone number, account number and code of the user, and the information relating to the time and place when and where the user uses the aforementioned services.

Our business activities and various technologies deployed do not involve in handling any personal data from its end-users. Accordingly, as advised by our PRC legal advisers, the PRC Data Privacy Provisions are not applicable to our Group. Furthermore, we confirm that our Group has not been subject to any administrative penalty, litigation or arbitration under any data privacy-related laws and regulations in the PRC.

### **REGULATIONS ON PROTECTION OF STATE SECRETS**

Pursuant to the Law of the People's Republic of China on Protecting the State Secrets (中華人民共和國保守國家秘密法), which was promulgated by the SCNPC on April 29, 2010 and came into effect on October 1, 2010, state secrets shall be those related to the national security and interests, and shall be known to a limited number of personnel in a certain period of time as determined by the relevant legal procedures. The state organs and units involving in handling the state secrets shall be responsible for the secret protection of their own organs or units. The organs and units shall label the mark of state secrets on the carriers that carry the state secrets and the equipment and products subject to the state secrets. They shall not label the mark of state secrets on those which are not recognized as the state secrets. Whether the relevant confidential information is subject to the state secrets is a matter to be decided by the secret protection administration in the PRC.

We confirm that our Group's business activities do not involve in handling any personal data but data which are not correlated to any personal or institutional users or any carrier, equipment or product which was labelled the mark of state secret. Furthermore, as far as we are aware, the secret protection administration in the PRC has not classified any business related information of our Group as state secret. Based on the foregoings, our Directors are of the view that it is unlikely for our Group to have access to any state secret.

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## REGULATIONS

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### REGULATIONS ON FOREIGN INVESTMENT

The establishment, operation and management of corporate entities in the PRC is governed by the Company Law of the PRC (中華人民共和國公司法), which was promulgated by the SCNPC on December 29, 1993 and came into effect on July 1, 1994. The Company Law of the PRC was subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 (the latest revision became effective on March 1, 2014). The Company Law of the PRC generally governs two types of companies, namely limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of shareholders of a limited liability company and a joint stock limited company is limited to the amount of registered capital they have contributed. The Company Law of the PRC shall also apply to foreign-invested companies. Where laws on foreign investment have other stipulations, such stipulations shall apply.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange matters, accounting practices, taxation and labor matters of foreign-invested companies are regulated by, in the case of wholly foreign-owned enterprises, the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法), which was promulgated on April 12, 1986 by the NPC and amended on October 31, 2000 by the SCNPC (the latest revision became effective on October 31, 2000), and the Regulations for the Implementation of the Wholly Foreign-owned Enterprises Law of the PRC (中華人民共和國外資企業法實施細則), which was promulgated on December 12, 1990 by the Ministry of Foreign Trade and Economy and amended by the State Council on April 12, 2001 and February 19, 2014 (the latest revision became effective on March 1, 2014).

The Provisions on Guiding Foreign Investment Direction (指導外商投資方向規定), which was promulgated by the State Council on February 11, 2002 and became effective on April 1, 2002, categorize all foreign-invested projects into encouraged, permitted, restricted and prohibited projects. Foreign investment projects that are categorized as encouraged, restricted, and prohibited are listed under the Catalogue for the Guidance of Foreign Investment Industries (外商投資產業指導目錄). Those foreign-invested projects that are not categorized as encouraged, restricted, and prohibited are permitted foreign-invested projects. On March 10, 2015 the MOFCOM and National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) jointly promulgated the current Catalogue for the Guidance of Foreign Investment Industries, which became effective on April 10, 2015.

The Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (“M&A Rules”), which was promulgated by MOFCOM, SAT, SAFE, State Administration for Industry and Commerce, CSRC and State-owned Assets Supervision and Administration Commission of the State Council on August 8, 2006, amended and implemented by MOFCOM on June 22, 2009, governs, among other things, the purchase and subscription by foreign investors of equity interests in a domestic enterprise, and the purchase and operation by foreign investors of the assets and business of a domestic enterprise. Pursuant to the M&A Rules, in the event of M&A by a company, enterprise, or natural person in PRC, in the name of a company that it has legitimately established or controls outside PRC, of a domestic enterprise affiliated thereto, the M&A shall be submitted to the MOFCOM for examination and approval.



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## REGULATIONS

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### REGULATIONS ON FOREIGN EXCHANGE CONTROLS

The Foreign Exchange Administrative Regulations of the PRC (中華人民共和國外匯管理條例) (“**Foreign Exchange Regulations**”) promulgated by the State Council on January 29, 1996, effective on April 1, 1996 and amended on August 5, 2008, forms an important legal basis for foreign exchange supervision in the PRC. Under the Foreign Exchange Regulations, the foreign exchange income in the capital accounts of domestic enterprises must be deposited into foreign exchange accounts with designated banks. Any foreign exchange payment from capital account shall, in accordance with provisions enacted by State Council foreign exchange administrative department, be made out of the payer’s own foreign exchange funds with valid documents or be made with foreign exchange funds purchased from any financial institution engaged in foreign exchange settlement and sales business. Where the foreign exchange payment requires the approval from the foreign exchange administrative authority, the payer must obtain such approval before making the payment.

Pursuant to the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprises (“國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知”) (“**Circular 19**”) promulgated on March 30, 2015 by SAFE and effective on June 1, 2015, foreign-invested enterprises shall be allowed to settle foreign exchange capitals on a discretionary basis. Furthermore, where the foreign-invested enterprises engaged in equity investment in PRC, it shall follow the regulations on reinvestment in territory of PRC. Although the Circular 19 relaxed the restriction on foreign exchange capital settlement, it is uncertain whether it is practicable after effective.

Pursuant to the Circular on Relevant Issues Concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (“**Circular No. 37**”) which was promulgated and implemented by SAFE on July 14, 2014, a domestic resident shall, before contributing the domestic and overseas lawful assets or interests to a special purpose vehicle (SPV), apply to the foreign exchange office for going through the procedures for foreign exchange registration of overseas investments. Where the basic information of the SPV has changed, the foreign exchange change registration of overseas investments shall be timely finished in the foreign exchange office. The domestic residents fail to comply with Circular No. 37 may result in punishment.

### REGULATIONS ON TAXATION

#### Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (“**EIT Law**”) promulgated by the NPC on March 16, 2007 and effective on January 1, 2008 and its implementing rules promulgated by the State Council on December 6, 2007 and effective on January 1, 2008, the enterprise income tax for both domestic and foreign-invested enterprises is unified at 25%. Under the EIT Law, enterprises are classified as “resident

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## REGULATIONS

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enterprises" and "non-resident enterprises". Pursuant to the EIT Law and its implementing rules, enterprises established under the laws of foreign countries or regions whose "de facto management bodies" are located in China are considered resident enterprises and will generally be subject to enterprise income tax at the rate of 25% on its global income. The implementing rules of the EIT Law define "de facto management bodies" as "establishments that carry out substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. If we are considered as a PRC tax resident enterprise under the above definition, then our global income will be subject to PRC enterprise income tax at the rate of 25%.

### Value-added Tax

In accordance with the Provisional Regulations of the PRC Concerning Value Added Tax (中華人民共和國增值稅暫行條例) promulgated by the State Council on December 13, 1993 and last amended on November 10, 2008, and the Rules for Implementation of the Provisional Regulations of the PRC concerning Value Added Tax (中華人民共和國增值稅暫行條例實施細則) promulgated by the Ministry of Finance of the PRC (中華人民共和國財政部) on December 18, 2008, effective on January 1, 2009 and amended on October 28, 2011, VAT is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

Pursuant to the Pilot Proposals for the Transformation from Business Tax to Value Added Tax (營業稅改徵增值稅試點方案) ("Pilot Proposals") promulgated by the Ministry of Finance of the PRC and the SAT and effective on November 16, 2011, the transformation from business tax to VAT will take effect on January 1, 2012 in pilot business of pilot areas. Pursuant to the Pilot Proposals, two levels of low VAT rates of 11% and 6% are added in the current VAT rates which are 17% and 13% respectively. The tax rate for business such as the transportation business and the construction business is 11% and the tax rate for certain other modern service business is 6%.

According to Document Guo Fa No. 18, the state shall encourage the development and production of software products in China. The software products produced and distributed by an average taxpayer of value-added tax shall be subject to a statutory rate of value-added tax at 17% before 2010, and the part of actual tax burdens more than 3% shall be refunded upon payment for software product research and development and extended reproduction of the enterprise. The Notice of People's Government of Beijing Municipality on Forwarding the Several Policies of the State Council on Encouraging the Development of the Software Industry and Integrated Circuit Industry (北京市人民政府轉發國務院關於印發鼓勵軟件產業和集成電路產業發展若干政策檔的通知) reiterated the preferential taxation policy aforementioned.

According to Document Guo Fa No. 4, eligible software enterprises and integrated circuit design enterprises, which engage in software development and testing, information system integration, consulting and operation maintenance, integrated circuit design and other businesses, shall be exempt from business tax and relevant procedures for them shall be simplified.



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## REGULATIONS

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### Enterprise Income Tax on Indirect Transfer of Non-resident Enterprises

Pursuant to the Circular of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Incomes from Equity Transfers of Non-resident Enterprises (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (“**Circular 698**”) promulgated by SAT on January 1, 2008 and effective on December 10, 2009 and the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on the Indirect Transfers of Properties by Non-resident Enterprises (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (“**Circular 7**”) promulgated by SAT and effective on February 3, 2015, where a non-resident enterprise indirectly transfers equity interests or other assets of a PRC resident enterprise to evade its obligation to pay enterprise income tax by implementing arrangements that are not for bona fide commercial purpose, such indirect transfer shall, in accordance with the EIT Law, be re-identified and recognized as a direct transfer of equity interests or other assets of the Chinese resident enterprise by competent tax authorities.

Pursuant to Circular 7, a bona fide commercial purpose should meet the following three conditions simultaneously: (1) the equity transferor holds, directly or indirectly, more than 80% of the transferee’s equity; or the equity transferee holds, directly or indirectly, more than 80% of the transferor’s equity; or more than 80% of the equity of the transferee and transferor is held, directly or indirectly, by the same party (where more than 50% of the value of the equity interests of the overseas enterprise is directly or indirectly generated from real estate in the PRC, the shareholding ratios stated above should be 100%); (2) for the indirect transfer incurred after this indirect transfer, the PRC enterprise income tax on it will not be less than that on the same or similar indirect transfer incurred when there is no such first indirect transfer; and (3) the equity transferee pays all the consideration with the equities of its enterprise or the enterprise to which it has shareholding relation (excluding equities of a listed company).

## REGULATIONS ON LABOR

### Labor and Labor Contract

The Labor Contract Law of the PRC (中華人民共和國勞動合同法) (“**Labor Contract Law**”), which was promulgated by the State Council on June 29, 2007, became effective on January 1, 2008 and was amended on December 28, 2012 (the latest revision became effective on July 1, 2013), requires every employer to enter into a written contract of employment with each of its employees. No employer may force its employees to work beyond the time limit and each employer must pay overtime compensation to its employees. The Labor Contract Law also requires that the wage of each employee be no less than the local standard on minimum wages. According to the Labor Law of the PRC (中華人民共和國勞動法), which was promulgated by SCNPC on July 5, 1994 and became effective on January 1, 1995, every employer must ensure work place safety and sanitation in accordance with the national regulations and provide relevant training to its employees.

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## REGULATIONS

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### **Social Insurance and Housing Funds**

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) promulgated by the Standing Committee of the NPC on October 28, 2010 and effective on July 1, 2011, the Interim Regulations concerning the Levy of Social Insurance (社會保險費徵繳暫行條例) promulgated by the State Council and effective on January 22, 1999, the Interim Measures concerning the Administration of the Registration of Social Insurance (社會保險登記管理暫行辦法) promulgated and effective on March 19, 1999, the Regulations on Occupational Injury Insurance (工傷保險條例) promulgated by the State Council on April 27, 2003 and effective on January 1, 2004 and amended on December 20, 2010, the Interim Measures concerning the Maternity Insurance for Enterprise Employees (企業職工生育保險試行辦法) promulgated by the Ministry of Labor and Social Security on December 14, 1994 and effective on January 1, 1995 and the Regulations concerning the Administration of Housing Fund (住房公積金管理條例) promulgated by the State Council and effective on April 3, 1999 and amended on March 24, 2002, each employer in the PRC shall provide its employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance, as well as housing fund and other welfare plans.

Where an employer fails to make social insurance contributions in full and on time, the social insurance contribution collection agencies shall order it make all or outstanding contributions within a specified period and impose a late payment fee at the rate of 0.05% per day from the date on which the contribution becomes due. If such employer fails to make the overdue contributions within such time limit, the relevant administrative department may impose a fine equivalent to one to three times the overdue amount.

Where a employer fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its staff and workers, the housing provident fund management center shall order it to go through the formalities within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed.

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## INDUSTRY OVERVIEW

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*Unless otherwise indicated, the information presented in this section is derived from various official government publications and other publications and from the market research report, or the F&S Report, prepared by Frost & Sullivan, which was commissioned by us. We believe that the sources of such information are appropriate and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of the F&S Report which may qualify, contradict or have an adverse impact on the quality of information in this section. However, the information prepared by Frost & Sullivan and set out in this "Industry Overview" section has not been independently verified by our Group, the Sole Sponsor or any other party involved in the [REDACTED]. Except as otherwise noted, all the data and forecast in this section are derived from the F&S Report. Relevant market information for the five months ended May 31, 2016 is not readily available as of the Latest Practicable Date.*

### SOURCE OF INFORMATION

This "Industry Overview" section contains information extracted from the F&S Report prepared by Frost & Sullivan for purposes of this document. We paid a total of RMB320,000 to Frost & Sullivan for the preparation and use of the F&S Report.

### Research Basis

The F&S report includes information on analysis about China's IT industry and APM industry, in addition to other economic data. The market research process for this study has been undertaken through detailed primary research which involves discussing the status of the industry with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected total market size was obtained from historical data analysis plotted against macroeconomic data as well as specific related industry drivers.

### Bases and Assumptions

Frost & Sullivan prepared its report on the following bases and assumptions for historical data and projections: (1) China's economy is likely to maintain steady growth in the next decade, (2) China's social, economic, and political environment is likely to remain stable in the forecast period, and (3) Market drivers like technology development and supports from the government are likely to drive China's APM market. For the projection of total market size, Frost & Sullivan plots available historical data against macroeconomic data as well as data with respect to related industry drivers.

## INDUSTRY OVERVIEW

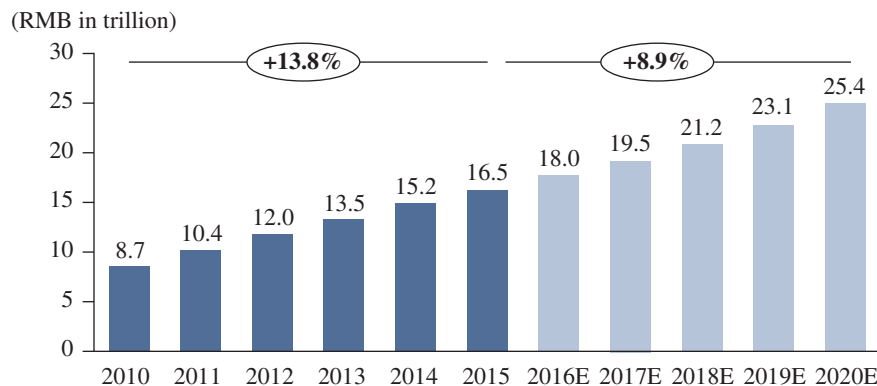
### About Frost & Sullivan

Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecommunications.

### RECENT DEVELOPMENT OF THE IT INDUSTRY IN CHINA

#### Overview

China's IT industry is composed of several segments, such as software, embedded software, IT services, electronic information and hardware. Despite the relatively short history as compared to those of most Western countries, China's IT industry has been expanding rapidly over the past few years, with its market size increasing from RMB8.7 trillion in 2010 to RMB16.5 trillion in 2015 at a CAGR of 13.8% from 2010 to 2015. The overall IT industry is expected to experience sustainable growth in the long run, driven by increasing investment from the government and at private investor levels. The overall market size is expected to reach RMB25.4 billion in 2020 at a CAGR of 8.9% from 2015 to 2020. The chart below illustrates the historical and forecasted market size of China's IT industry for the years indicated.



Source: Ministry of Industry and Information Technology; F&S Report

### Market Drivers of China's IT Industry

China's IT industry is driven primarily by the following factors.

- *Rising investment.* The advancement in information technologies promotes the integration of network technologies and IT services in modern business environment. An increasing number of enterprises start to engage Internet-based IT services providers to enhance their business performance with respect to operational management, client data analysis, customer services and profitability analysis. The

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## INDUSTRY OVERVIEW

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continuously rising demand for IT software and services lead to growth of investment by IT enterprises in establishing IT service network, which creates more opportunities for software solution providers, encourages new entrances into the market and enhances the quality of the relevant products and service.

- *Supportive policies.* The Chinese government is making continuous effort in supporting the development of information and technology industry. In 2011, the National Development and Reform Commission formulated the 12th Five-year Plan for Software and Information Technology Services Industry to nurture leading enterprises and support the IT industry. In the same year, the State Council issued certain policies on Further Encouraging the Development of the Software Industry and Integrated Circuit Industry which improved value-added tax incentive and tax preferential policies. In 2015, the State Council issued Opinions on Promoting Cloud Computing Innovation and Development and Fostering New Format of Information Industry to promote cloud computing. Supportive government policies help establish a safe environment for the market players and also benefit the end users.
- *Development of Internet.* The IT industry is closely connected with technological innovation and collaboration. The development of Internet will continuously drive the innovation of business operation models, which in turn will lead to a rise in demand for IT services from various industries, such as finance, manufacturing, as well as the newly-emerging industries like energy and logistics. The overall IT market in China is therefore expected to continue to grow rapidly.

### Future Outlook of China's IT Industry

The future outlook of China's IT industry consists primarily of the following aspects.

- *Sustained technological upgrades and continuous investments.* The penetration rate of IT usage is relatively low for enterprises in China. With the further development of information technologies and continuous investments in the IT industry, software and applications will be developed into a more user-oriented form with a closer focus on user experience and dynamic services types to support business operation and management.
- *Further application of advanced Internet-related technologies.* With an increasing adoption of advanced IT technologies such as cloud computing, big data and Internet of Things by enterprises in China, IT service providers are required to deliver more comprehensive offerings that are capable of facilitating almost every aspect of business operation.
- *Prosperity of domestic software and IT service providers.* The domestic software and IT service providers in China are expected to prosper considering that (1) the PRC government encourages further development of domestic IT enterprises, and (2) a

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## INDUSTRY OVERVIEW

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more secured Internet environment as a result of the advancement in information technologies which provides a developing platform for software and IT service providers. In addition, leveraging on the continuous technology improvement and in-depth understanding of Chinese customers' demands, domestic software and IT service providers are expected to be more prominent in developing customized IT services catering to the demands of local businesses in China.

### RECENT DEVELOPMENT OF THE APM INDUSTRY IN CHINA

#### Overview

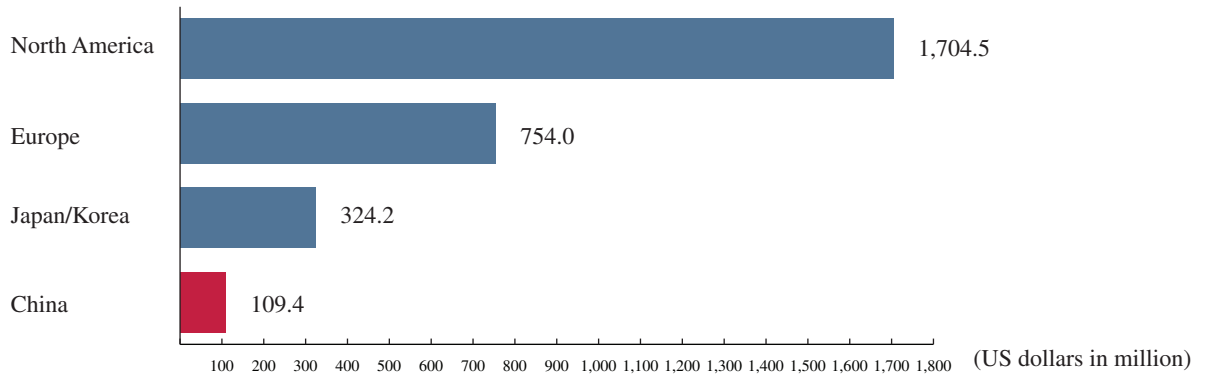
APM is the monitoring and management of performance and availability of software applications. It is a branch of IT system management that focuses on monitoring frontend performance and making backend system completely visible to keep application and network performance at an appropriate level. APM solutions offer users effective troubleshooting and data analytics, strive to detect and diagnose complex application performance problems to maintain an expected level of service, and in turn optimize the performance of the users' business services and improve user experience. The different dimensions of APM include:

- *End user experience.* The functionality of end user experience monitoring usually consists of two parts. Passive agentless monitoring, which uses port mirroring, generally involves low risk. Active monitoring, which uses probes and web robots, is a complement to passive monitoring.
- *Insights into application architecture.* APM solutions provide real-time insights into all aspects of the application infrastructure and make the complicated infrastructure visible to the users.
- *Deep-dive component monitoring.* Generally targeting the middleware space related to webpages, applications and messaging servers, deep-dive component monitoring focuses on how well the tools are working together. It helps users to better review application codes, resolve relevant issues and increase the accuracy of quality testing.
- *Analytics and reporting.* The analytics and reporting dimension focuses on raw data collection. Tools set across the APM model collect data and send it to a performance management database which facilitates problem solving on different platforms.
- *Business transaction.* The business transaction dimension focuses on user-defined transactions or the URL page definitions that are important to the business. APM solutions trace every event along an application path in the context of KPIs and provide early warning trend reports.

## INDUSTRY OVERVIEW

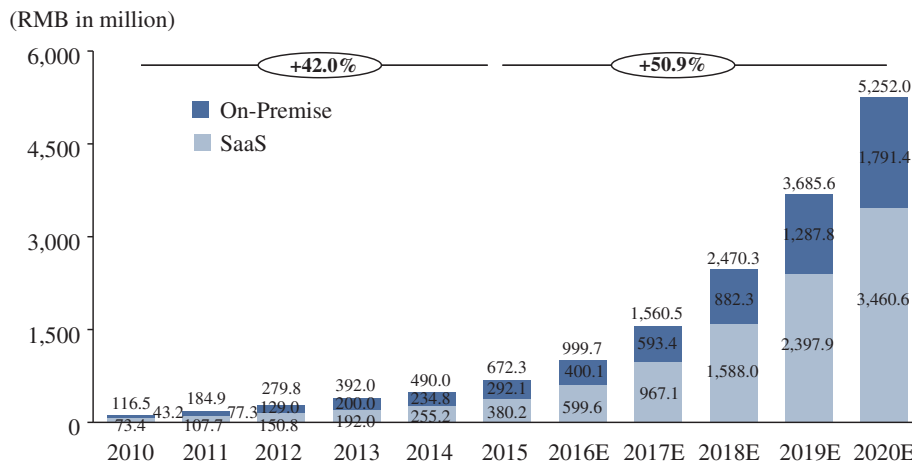
### Overall Market Size

As an emerging segment of China's IT industry, the APM industry in China is relatively small and at its early stage, compared to other more developed markets. North America has the largest APM market in the world, which was approximately 15 times larger than that of China in 2015. China's neighboring countries, such as Japan and Korea, also have much larger APM markets. The chart below sets forth the size of certain major APM markets in 2015.



Source: F&S Report

China's APM market witnessed rapid growth over the past few years. The total market size of APM market in China rose from approximately RMB116.5 million in 2010 to approximately RMB672.3 million in 2015, representing a CAGR of approximately 42.0% from 2010 to 2015. The fast development of Internet-related business and SMEs drives the demand for APM services. The overall market size, augmented by the emergence of SaaS-based APM solutions, is expected to rise to approximately RMB5,252.0 million in 2020 at a CAGR of approximately 50.9% from 2015 to 2020. The chart below illustrates the market size of China's APM industry by segment for the years indicated.



Source: F&S Report



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## INDUSTRY OVERVIEW

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### Delivery Models

The APM industry contains two segments, on-premise APM products and services and SaaS-based APM products and services. Our Group currently focuses on on-premise APM products and services but plans to expand into SaaS-based APM products and services in the first half of 2017. On-premise APM products and services are installed and run on computers or servers on the premises which are able to generate more in-depth reports with a more complex graphical user interface that require more technical staff to operate. On the other hand, SaaS-based APM products and services are run remotely via, for example, cloud, and are able to generate standard reports to customers with a simpler graphical user interface that require fewer technical staff to operate. Large enterprises, especially those which concern more about data security or have more requirements on customization and tailor-made solutions, prefer on-premise APM products over SaaS-based APM products because such enterprises are usually subject to legal requirements to keep all the data and information in the data center, rather than storing the data remotely which might expose them to leakage risks. The SaaS-based APM products are generally more acceptable to SMEs because the setup cost is lower. In 2015, the SaaS-based APM segment accounted for approximately 56.6% of the whole market in China, while the on-premise APM segment accounted for approximately 43.4%.

### Market Drivers of China's APM Industry

China's APM industry is driven primarily by the following factors.

- *Increasing demand.* With the fast development of online-to-offline commerce and other related industries, IT enterprises are addressing users' increasing demands for performance management and improvement, such as reducing reaction time of the end applications and improving the end user experience. Through assisting users in identifying application and network problems in a quick and efficient manner, APM solutions improve business visibility, enhance productivity and user experience, as well as optimize the performance of applications, network and key business services.
- *Technology development.* Due to the development of cloud computing, mobile Internet, big data and other emerging technologies, the APM technology has grown from the network-based first generation into the second generation of backend system monitoring, and it is now stepping into the next generation of monitoring dynamic user applications. The new generation of APM solutions becomes a platform that links users with their business and provides real-time insights into the overall business performance.
- *Government support.* The PRC government is making continuous efforts to support the development of the IT industry including granting higher VAT incentives and preferential tax treatment to IT enterprises.



## INDUSTRY OVERVIEW

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### Entry Barriers to China's APM Industry

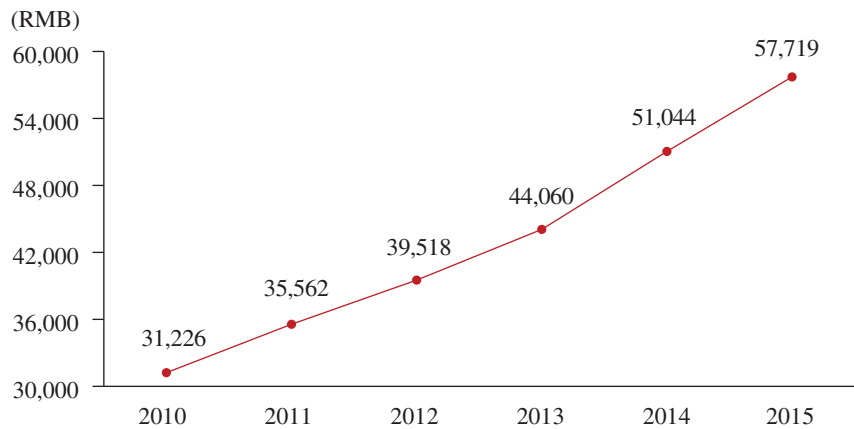
China's APM industry is subject primarily to the following entry barriers.

- *Technical capability.* Core technology is a fundamental roadblock to gaining entry into the APM market. Advanced technologies enable APM providers to offer more comprehensive and stable services to users from various industries. Therefore, it is extremely difficult for new entrants to enter this market without strong technical capabilities.
- *Marketing capability.* APM products and service providers help collect users' data and directly process each user's core information. The relationship between users and trusted APM products and service providers are generally well established and stable. New entrants will need to devote extra investments in order to attract users who already have established business relationships with existing competitors.
- *Capital support.* For APM products and service providers, a large amount of initial capital is required to support innovation, research and development, facilities and marketing and other relevant business purposes, and such investments are durative rather than one-off. New entrants are less likely to survive without strong and continual capital support.
- *Human resources.* Qualified technical and marketing personnel are commonly regarded as the most critical resources for IT enterprises, as they directly determine the service quality and the success of business operation. Nevertheless, well-qualified employees are generally attracted by factors such as high salary, good welfare and clear career path, which are usually offered by leading players in the market. Experienced personnel in the APM industry are in high demand, and competition for the relevant talents is intense. Therefore, the access to highly talented experts and the capability in providing a satisfying employment environment serve as some of the key barriers to new market entrants.

## INDUSTRY OVERVIEW

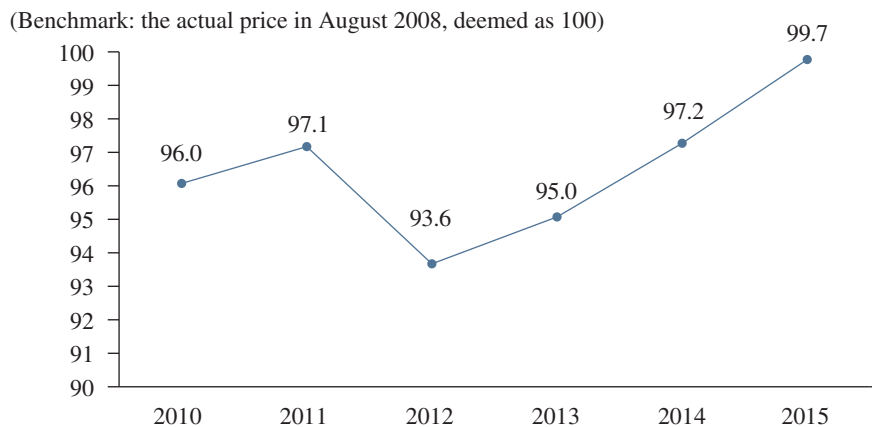
### Costs of Sales Analysis

The principal component of cost of sales for China's IT industry, as with the APM industry, is labor costs. Talents are highly important to IT enterprises compared to other industries. The average annual salary of employees in the IT industry is accordingly the highest among all industries. According to the National Bureau of Statistics of PRC, the average annual salary of employees in the IT industry witnessed a stable growth over recent years, increasing from approximately RMB31,226 in 2010 to RMB57,719 in 2015 at a CAGR of approximately 13.1% from 2010 to 2015. The average annual salary of employees in the APM industry experienced a similar growth trend during the same period. The following chart sets forth the average annual salary of employees in China's IT industry for the periods indicated.



Source: National Bureau of Statistics of PRC; F&S Report

Another major component of cost of sales for the APM industry is the costs of hardware, which consists primarily of industrial PCs. From 2010 to 2015, the price of industrial PCs in China remained stable with slight fluctuations. The following chart sets forth the price index of industrial PCs in China for the periods indicated.



Source: China Electronic Market Price Index; F&S Report

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## INDUSTRY OVERVIEW

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### Future Outlook of China's APM Industry

The future outlook of China's APM industry consists primarily of the following aspects.

- *Mobile services.* Business productivity and efficiency are ramping up along with the increasing usage of mobile devices, as nowadays people frequently access applications through their mobile devices for work or personal matters. Monitoring and managing applications and networks on mobile devices can optimize their performance and improve end customer experience. The demand for APM on mobile devices such as cellphones and tablets is therefore expected to increase in the next few years.
- *Cloud-based APM solutions.* Cloud-based APM is an emerging technology with various advantages compared to the traditional on-premises solutions, including shorter time-to-value, lower costs, more user-friendly, simpler application, less maintenance requirements and easier to upgrade. Such solutions are expected to be popular among companies without a professional maintenance team or with low budget for application and network management.
- *Big data analytics.* APM products and service providers offer data analytics by studying the vast volume of data that flow into the repositories through a large number of probes. The analytics results help enterprises improve business visibility, provide enterprises with overall insights into end-users' experience and forecast business activities and user experiences, which allow them to make data-driven decisions on business strategies. The demand for APM solutions with big data analytics is expected to increase in the future.

### Competitive Landscape of the APM Industry in China

The APM market in China is relatively concentrated. The following table illustrates the ranking of top players in China's APM market in terms of contract value in 2015.

Ranking	Company	Contract Value in 2015	Market Share
1	Dynatrace LLC	RMB153.0 million	22.8%
2	Beijing Networkbench Inc.	RMB85.5 million	12.7%
3	Our Group	RMB70.0 million	10.4%

## INDUSTRY OVERVIEW

### Competitive Landscape of the On-premise APM Industry in China

China's on-premise APM market, the total market size of which reached approximately RMB292.1 million in 2015, is relatively concentrated due to its high entry barriers. The telecommunications industry alone, which includes primarily telecommunications operators, represented approximately 42.0% of the total on-premise APM market in 2015. The China's Largest Telecom Group accounted for approximately 30.8% of the total on-premise APM market in China in 2015, while the second and the third largest state-owned telecommunications operators accounted for approximately 8.4% and 2.8%, respectively. The greater demand from China's Largest Telecom Group for on-premise APM services is due to the following reasons: (i) it is much larger than the second and the third largest state-owned telecommunications operators in China in terms of revenue and user number; (ii) its policy and commitment to optimize its mobile networks after it obtained the 4G operating license; (iii) in recent years, it has strengthened its efforts in the construction of fixed broadband networks in China which requires APM services to ensure their quality; (iv) the second and the third largest state-owned telecommunications operators diverted most of their resources in the past on the construction of 4G network infrastructure rather than APM services and have just started to increase their investments in APM services recently. The financial industry, which mainly comprises of banks and futures exchanges, accounted for approximately 16.1% of the total on-premise APM market in 2015. The other industries include players primarily from the automotive and petrochemical industries, which accounted for approximately 41.9% of the total on-premise APM market in 2015. The following table illustrates the ranking of top players in China's on-premise APM market in terms of contract value in 2015.

Ranking	Company Name	Contract Value in 2015	Market Share
1	Our Group	RMB70.0 million	24.0%
2	Dynatrace LLC	RMB68.9 million	23.6%
3	NetScout Systems, Inc.	RMB27.0 million	9.2%

### *Competitive landscape of China's on-premise APM market in telecommunications industry*

In 2015, China's APM market in the telecommunications industry reached a size of approximately RMB122.7 million. The following table illustrates the ranking of top players in China's on-premise APM market in the telecommunications industry in terms of contract value in 2015.

Ranking	Company	Contract Value in 2015	Market Share
1	Our Group	RMB56.0 million	45.6%
2	Dynatrace LLC	RMB30.6 million	24.9%
3	OneAPM Inc.	RMB3.9 million	3.2%

## INDUSTRY OVERVIEW

### *Competitive landscape of China's on-premise APM market in financial industry*

In 2015, China's APM market in the financial industry reached a size of approximately RMB47.0 million. The following table illustrates the ranking of top players in China's on-premise APM market in the financial industry in terms of contract value in 2015.

Ranking	Company	Contract Value in 2015	Market Share
1	NetScout Systems, Inc.	RMB12.2 million	25.9%
2	Dynatrace LLC	RMB10.7 million	22.8%
3	Our Group	RMB2.6 million	5.5%

### *Competitive landscape of China's on-premise APM market in other industries*

In 2015, China's APM market in other industries reached a size of approximately RMB122.4 million. The following table illustrates the ranking of top players in China's on-premise APM market in other industries in terms of contract value in 2015.

Ranking	Company	Contract Value in 2015	Market Share
1	Dynatrace LLC	RMB27.5 million	22.5%
2	NetScout Systems, Inc.	RMB11.9 million	9.7%
3	Our Group	RMB11.4 million	9.3%

## RECENT DEVELOPMENT OF THE SAAS-BASED APM INDUSTRY IN CHINA

### Overview

Software-as-a-service, or SaaS, is a software licensing and distribution model where applications are centrally hosted by a service provider, while users typically access the services over the network. It is a delivery model different from the on-premise hosted APM products. Nowadays, an increasing number of APM products and services providers are offering SaaS-based APM services, which are cost-effective and easier for enterprises to adopt as compared to on-premise hosted APM products, especially for SMEs. Set forth below are certain advantages of the SaaS-based APM services.

- *Reduced costs.* Compared to on-premises APM products, SaaS-based APM services cost much less. Customers can access the APM services and make use of the technologies through visiting SaaS-based servers such as NetVista platform provided by Our Group via their browsers. No hardware or management team is needed for the service. The providers own the copyright to the products and are also responsible for the management and maintenance of the software. Moreover, the cost of changing to a new provider is nominal.
- *Time-to-value.* SaaS-based APM services can be implemented quickly. It only takes several minutes to set up the services before the data collection starts.

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## INDUSTRY OVERVIEW

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- *Automatic updates and patch management.* The SaaS-based APM services providers are responsible for updating the products and services to the latest version with newest features. They can log into the users' account and start the update process. The update process can be done automatically in minutes.
- *Scalability and compatibility.* The compatibility degree of SaaS-based services is high since all the services are based on the same version of software.

### Overall Market Size

SaaS-based APM market is an emerging segment mainly due to the rising demand for such services from SMEs in emerging industries such as Internet industry, peer-to-peer industry and e-commerce industry, as well as increasing support from the government. The Internet industry, peer-to-peer industry and e-commerce industry represented approximately 37.4%, 11.2% and 17.9% of the total SaaS-based APM market in 2015, respectively. The demand from the Internet industry is primarily driven by web portals, online media websites and online video game companies. China's SaaS-based APM market witnessed rapid growth over recent years, with its total market size increasing from approximately RMB43.2 million in 2010 to approximately RMB380.2 million in 2015 at a CAGR of approximately 54.5% from 2010 to 2015. This market is expected to further expand to approximately RMB3,460.6 million in 2020 at a CAGR of approximately 55.5% from 2015 to 2020.

### Market Drivers of China's SaaS-based APM Industry

China's SaaS-based APM industry is driven primarily by the following factors.

- *Rising popularity among SMEs.* An increasing number of SMEs has initiated online-to-offline business in recent years. Also, most SMEs have begun to operate their own websites or applications to attract potential customers. Hence SMEs need APM solutions to manage and monitor the performance of their applications and networks which are essential for their business models. Nevertheless, most SMEs are not able to afford on-premise APM solutions or do not have professional IT team or talents to run the facilities of on-premise APM systems. Thus, SaaS-based APM solutions have become their best choice due to the affordable price (i.e. subscription based payment) and convenience.
- *Increase of mobile Internet users.* The total number of mobile Internet users reached approximately 620.0 million in 2015, accounting for approximately 90.1% of the total Internet users. The large number of mobile Internet users promote the development of Internet and applications for mobile devices, which in turn encourages more enterprises to adopt the SaaS-based APM services to speed up their business informatization with a special focus on mobility.
- *Financial supports.* With the rapid development of the Internet and the SaaS-based APM market, the market players have been receiving more and more investment from venture capitalists over recent years. The financial support is expected to remain strong in the coming years, which is expected to speed up the market development of SaaS-based APM services.

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## INDUSTRY OVERVIEW

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### Threats and Challenges to China's SaaS-based APM Industry

The threats and challenges to China's SaaS-based APM industry includes the following:

- *Domination of existing giants.* China's SaaS-based APM market is currently dominated by domestic giants. Some international companies who have deep industry know-how are also popular amongst foreign customers. New entrants have to provide more reliable products at reasonable prices in order to gain market share from these competitors.
- *Security Problem.* Security has always been one of the major concerns in the IT industry. Unlike on-premise APM solutions which store data and information at local facilities, SaaS-based APM solutions upload data into cloud database. Hence it is essential for the providers to ensure the security of clients' data and information. Those who do not have the ability of keeping data safe are likely to be replaced, and the entire SaaS-based APM market might be challenged if any security issues occur.

### Future Outlook of China's SaaS-based APM Industry

The future outlook of China's SaaS-based APM industry consists primarily of the following aspects.

- *Diversity of users.* A large number of traditional industries are evolving due to the development of the Internet. As a result, the users of SaaS-based APM services are diversifying. Although the SaaS-based APM services are more widely accepted among SMEs as of now, large enterprises are also expected to adopt the SaaS-based APM services in the future after the security level of such services improves.
- *Further concern on security.* With the rising popularity of cloud computing and cloud-based services, an increasing number of user data is stored in the cloud. Data security has become one of the biggest concerns for users who intend to use cloud-based APM services. The cloud-based APM service providers will focus on upgrading encryption techniques to improve the security of their services, in order to attract more users, especially large enterprises.

### Competitive Landscape of China's SaaS-based APM Industry

Currently there are over 10 providers in the SaaS-based APM market in China. The major players in terms of contract value include Dynatrace LLC, Beijing NetworkBench Inc., OneAPM Inc. and Cloudwise Co., Ltd. Dynatrace LLC led the market with a total contract value of approximately RMB84.2 million in 2015, representing a market share of approximately 22.1%. Beijing NetworkBench Inc. and OneAPM Inc., the second and third largest players, had a contract value of approximately RMB79.5 million and RMB49.5 million in 2015, accounting for a market share of approximately 20.9% and 13.0%, respectively.



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

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### **CORPORATE HISTORY AND DEVELOPMENT**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on November 10, 2015.

Our Company has become the holding company of our Group pursuant to the Reorganization. For details of the Reorganization, see “– Our Group’s Reorganization”.

Prior to founding our Group, our founders, Mr. Sie, Mr. Yue, Mr. Guan, and Mr. Liang, had accumulated abundant experience in the APM industry. On September 29, 2006, Vixtel Technologies was established as a wholly foreign-owned enterprise in Beijing, the PRC and was principally engaged in the provision of network performance monitoring system. At the time of its establishment, Vixtel Technologies was wholly-owned by JMRNET Solutions which was a limited liability company incorporated in Hong Kong and its entire issued share capital at that time was held by Ms. Sie Chun Yu on trust and for the benefit of Mr. Sie, Mr. Yue, Mr. Guan and Mr. Liang as to approximately 33.33%, 33.33%, 23.34% and 10% respectively. The reason for such trust arrangement was that Mr. Sie, Mr. Yue, Mr. Guan and Mr. Liang believed that it would be more convenient if their shareholdings in JMRNET Solutions were registered in the name of Ms. Sie Chun Yu for the time being as she is a Certified Public Accountant experienced in handling corporate administrative work and is trustworthy since she is the elder sister of Mr. Sie. Since then, the four founders have jointly controlled and managed our Group. Mr. Sie, Mr. Yue, Mr. Guan, and Mr. Liang have executed the Deed of Concert Parties to confirm, agree and acknowledge that among each of them, they are parties acting in concert in respect of our Group. See “– Parties Acting in Concert” below for details.

In October 2010, Vixtel Science was established and held by Madam Chen, Mr. Yue, Mr. Guan and Mr. Liang as to 33.33%, 33.34%, 23.33% and 10%, respectively. On December 29, 2010, the entire equity interests in Vixtel Technologies were transferred from JMRNET Solutions to Vixtel Science. The consideration for such transfer was HK\$1.00 which was determined on the basis that no material beneficial interests in Vixtel Technologies were changed by such transfer as, at the time of such transfer, Vixtel Science was held by the parties with such shareholdings as stated above, which was significantly identical to the ownership structure of JMRNET Solutions considering that Madam Chen is a spouse of and acting in concert with Mr. Sie. Such consideration was fully paid on December 29, 2010 by cash. The purpose of such transfer was to convert Vixtel Technologies into a PRC domestic entity as Madam Chen, Mr. Yue, Mr. Guan and Mr. Liang are all PRC residents and Vixtel Science was established as a PRC domestic entity. Such conversion was to facilitate the negotiations of potential investments in our Group from a PRC fund which negotiations were, however, eventually fallen through as the final terms of the proposed investment were not acceptable to our Group. According to our PRC legal advisers, the transfer of the entire equity interests in and the conversion into a PRC domestic entity of Vixtel Technologies were properly and legally completed and settled on February 11, 2011. After the transfer of the entire equity interests in Vixtel Technologies, JMRNET Solutions became dormant and its deregistration process was completed in December 2012.



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The transfer of Mr. Sie’s indirect interests in Vixtel Technologies through JMRNET Solutions to Madam Chen through Vixtel Science was made pursuant to a family arrangement (which was put in writing under a confirmatory deed dated November 2, 2016) between Mr. Sie and Madam Chen solely in light of the aforesaid potential investment in our Group from a PRC fund. Since Mr. Sie and Madam Chen are married couple and there had always been an understanding between Mr. Sie and Madam Chen that Mr. Sie was the ultimate beneficiary of his indirect interests in Vixtel Technologies, Madam Chen’s indirect interest in Vixtel Technologies was not transferred back to Mr. Sie notwithstanding that the aforementioned potential investment in our Group from the PRC fund did not materialize. For the purpose of preparing for the [REDACTED] and at the request of Mr. Sie, Madam Chen’s indirect interest in Vixtel Technologies was transferred to Vixel Networks (which was ultimately held by Mr. Sie as to 33.33%) on May 17, 2016 as part of the Reorganization. Given the aforesaid family arrangement between Mr. Sie and Madam Chen, Madam Chen had always exercised her voting rights in our Group based on the instructions from Mr. Sie as confirmed under the aforementioned confirmatory deed. Madam Chen has not held any positions in our Group while Mr. Sie is a founder who has been all along involved in the management and exerted significant influence on our Group. Before Mr. Sie joined our Group as a supervisor in December 2010, he was involved in the business development of and provided strategic advice to Vixtel Technologies. He was later redesignated as the manager of Vixtel Technologies in December 2015. He was also appointed as the director of Vixtel Technologies and of the Company on May 17, 2016 and November 10, 2015, respectively, being responsible for the overall planning, management and strategic development of and overseeing the operation of the Group’s business. For more details of Mr. Sie’s background and experience, see “Directors and Senior Management” of this document.

### Our Major Business Milestones

**Our Group’s major business milestones since its establishment up to the Latest Practicable Date are set out below:**

<b>Year</b>	<b>Events</b>
2006	<ul style="list-style-type: none"><li>• Vixtel Technologies, our principal operating subsidiary, was incorporated in Beijing, the PRC.</li></ul>
2007	<ul style="list-style-type: none"><li>• Our first product, Vixtel V1000 NetVista network performance analysis system V1.10 (飛思達 V1000 NetVista 網絡性能分析系統 V1.10), was released.</li></ul>
2008	<ul style="list-style-type: none"><li>• Our NetVista system first entered into the PRC mobile services operators market.</li></ul>
2010	<ul style="list-style-type: none"><li>• We were the official provider of our APM products and services for the Guangzhou Asian Games.</li></ul>

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- A commodity exchange in China used our Vixtel V7000 transaction performance delay monitoring system V1.0 (飛思達V7000 交易性能延遲監控系統 V1.0), to monitor the transaction performance of its exchange system.
- 2011
- Our V8000 mobile network user experience enhancement system V2.0 (V8000移動網絡用戶體驗優化系統V2.0) was released.
- 2012
- Vixtel Technologies obtained ISO9001 quality certification.
  - Our V6050 smartphone measurement application software system V1.0 (V6050智能手機測量應用軟件系統V1.0) was released.
- 2013
- Our APM system was first applied in the broadcasting industry in the PRC.
- 2014
- Our V1030 mobile Internet performance management system 1.0.0 (V1030移動互聯網性能管理系統1.0.0) and V1040 cloud service quality assurance system V1.0 (V1040雲服務質量保障系統V1.0) were released.
- 2015
- Our V2010 internet resources big data analysis platform V1.0 (V2010互聯網資源大數據分析平台V1.0) was released.
- 2016
- A subsidiary of the China's Largest Telecom Group used our Internet TV (OTT/IPTV) application performance management system to monitor its five million subscribers of home Internet TV.
  - Our cloud-based SaaS system was launched for trial run.
  - Vixtel Technologies obtained ISO 27001:2013 certification on its information security management system.

### Our Corporate Developments

The following sets forth the major corporate development of the subsidiaries of our Company since their respective dates of incorporation or establishment.

#### Vixtel Systems

Vixtel Systems was incorporated in the BVI with limited liability on November 17, 2015 and is the wholly-owned subsidiary of our Company.

Vixtel Systems has not engaged in any business activities or operations from the date of its incorporation until November 27, 2015 when it became the holding company of Vixtel Networks.

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### **Vixtel Networks**

Vixtel Networks was incorporated in Hong Kong with limited liability on November 27, 2015 and is an indirect wholly-owned subsidiary of our Company.

Vixtel Networks has not engaged in any business activities or operations from the date of its incorporation until May 17, 2016 when it acquired the 85% of the registered capital of Vixtel Technologies.

### **Sino Impact HK**

Sino Impact HK was incorporated in Hong Kong with limited liability on October 30, 2015.

Upon its incorporation, Sino Impact HK has an issued share capital of HK\$10,000 divided into 10,000 shares, all of which were allotted and issued to Sino Impact BVI for cash on October 30, 2015. In July 2016 and pursuant to the Share Purchase Agreement, Vixtel Systems acquired from Sino Impact BVI the entire issued share capital of Sino Impact HK upon which, Sino Impact HK became an indirect wholly-owned subsidiary of our Company. For further details of such acquisition, see “– Our Group’s Reorganization” and “– [REDACTED]”.

Sino Impact HK has not engaged in any business activities or operations from the date of its incorporation until March 9, 2016 when it was used as the vehicle of Sino Impact BVI for its [REDACTED] in our Group by way of its subscription for 15% of the registered capital of Vixtel Technologies as enlarged by such subscription.

### **Vixtel Technologies**

Vixtel Technologies was established in the PRC on September 29, 2006 as a wholly foreign-owned enterprise.

On December 29, 2010, JMRNET Solutions and Vixtel Science entered into the Equity Transfer Agreement, pursuant to which Vixtel Science acquired from JMRNET Solutions the entire equity interests in Vixtel Technologies for a consideration of HK\$1.00. Such acquisition was properly and legally completed and settled on February 11, 2011 and Vixtel Technologies became a PRC domestic entity.

In March 2016 and pursuant to the Capital Increase and Enlargement Agreement, Sino Impact HK subscribed for 15% of the registered capital of Vixtel Technologies as enlarged by such subscription. Upon completion of such subscription, Vixtel Technologies became a Chinese-foreign equity joint venture enterprise owned as to 85% and 15% by Vixtel Science and Sino Impact HK, respectively. For further details of such subscription, see “– Our Group’s Reorganization” and “– [REDACTED]”.

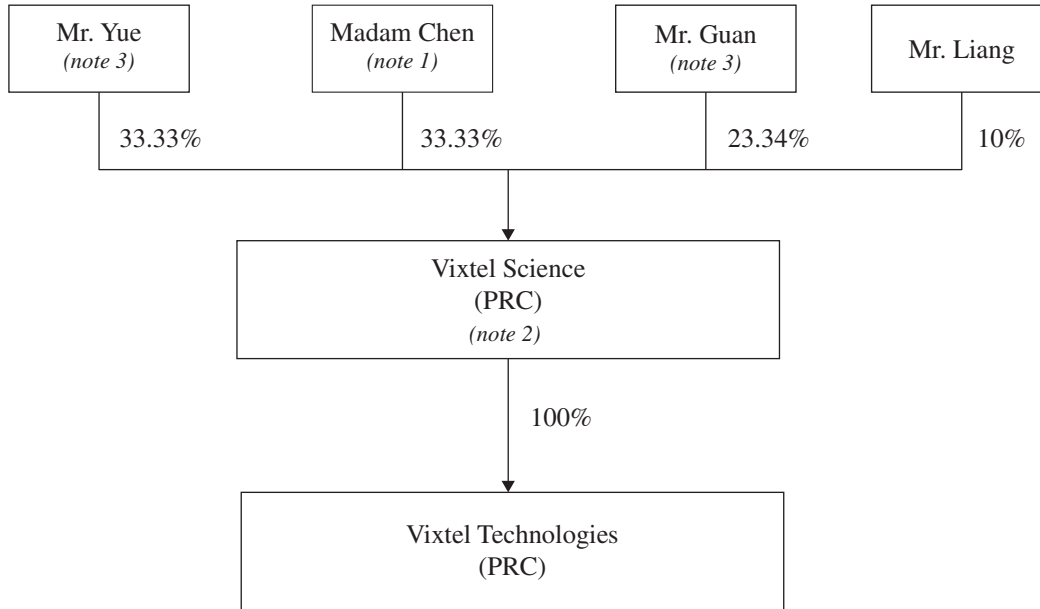
In May 2016 and as part of the Reorganization, Vixtel Networks acquired 85% of the equity interests held by Vixtel Science in Vixtel Technologies. Upon completion of such acquisition, Vixtel Technologies became a wholly foreign-owned enterprise owned as to 85% and 15% by Vixtel Networks and Sino Impact HK respectively. For further details of the acquisition, see “– Our Group’s Reorganization”.

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On July 6, 2016 and as part of the [REDACTED], the entire issued share capital of Sino Impact HK was acquired by Vixtel Systems and upon which, Vixtel Technologies became an indirect wholly-owned subsidiary of our Company. For further details, see “– [REDACTED]”.

### OUR GROUP’S REORGANIZATION

The shareholding and corporate structure of our Group immediately before the commencement of the Track Record Period is set out as follows:



*Notes:*

1. Madam Chen is the spouse of Mr. Sie and is acting in concert with Mr. Sie.
2. Since the date of its establishment, the registered capital of Vixtel Science is RMB500,000.
3. On May 28, 2012, Mr. Yue transferred 0.01% of the equity interests in Vixtel Science to Mr. Guan at a consideration of RMB50.

To prepare for the [REDACTED], our Group underwent the Reorganization which involved the following major steps:

#### (1) Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on November 10, 2015. At the time of incorporation, our Company had an authorized share capital of US\$50,000 divided into 50,000 shares of a par value of US\$1.00, of which one share was allotted and issued to Offshore Incorporations (Cayman) Limited, the initial subscriber, which was transferred to Cohort Investments on the same date. Our Company further allotted and issued 3,165 shares, 500 shares, 3,166 shares, 2,218 shares and 950 shares to Cohort Investments, Vigor Cypress, Worldgate Ventures, Copious Link and Hugemind Investments on November 10, 2015 respectively. From their

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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respective dates of incorporation and up to and inclusive of the Latest Practicable Date, Cohort Investments and Vigor Cypress are wholly-owned by Mr. Sie, whilst Worldgate Ventures, Copious Link and Hugemind Investments are wholly-owned by Mr. Yue, Mr. Guan and Mr. Liang respectively.

### **(2) Incorporation of Vixtel Systems**

On November 17, 2015, Vixtel Systems was incorporated in the BVI with limited liability and was authorized to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00, of which 1 ordinary share was allotted and issued to our Company for cash at par.

### **(3) Incorporation of Vixtel Networks**

On November 27, 2015, Vixtel Networks was incorporated in Hong Kong with limited liability and has an issued share capital of HK\$10,000 divided into 10,000 shares, all of which were allotted and issued to Vixtel Systems for cash at par.

### **(4) Subscription for 15% of the enlarged registered capital of Vixtel Technologies**

On December 18, 2015 and as a part of [REDACTED] from Sino Impact BVI, Sino Impact HK agreed to subscribe for 15% of the registered capital of Vixtel Technologies as enlarged by such subscription in consideration of RMB5,837,600 pursuant to the Capital Increase and Enlargement Agreement. Such consideration was determined with reference to the net asset value of Vixtel Technologies as of October 31, 2015 as shown in the valuation report prepared by an independent valuer dated November 18, 2015 and the price to earnings ratio of the audited financial statement of Vixtel Technologies for the financial year ended December 31, 2014. Such subscription was properly and legally completed on March 9, 2016 and the consideration was fully settled by cash on July 6, 2016 after the foreign exchange bank account of Vixtel Technologies has been duly opened. Upon completion of such subscription, the registered capital of Vixtel Technologies was increased from RMB30,500,000 to RMB35,882,400 and Vixtel Technologies became a Chinese-foreign equity joint venture enterprise owned as to 85% and 15% by Vixtel Science and Sino Impact HK, respectively.

### **(5) Changes of share capital in our Company**

On March 18, 2016, the authorized share capital of our Company was increased to the aggregate of US\$50,000.00 and HK\$390,000.00 by the creation of an additional 39,000,000 Shares with a par value of HK\$0.01. On the same date, 2,599,740 fully paid Shares, 2,599,740 fully paid Shares, 1,820,520 fully paid Shares, and 780,000 fully paid Shares all with a par value of HK\$0.01 (the "New Shares") were issued and allotted to Cohort Investments, Worldgate Ventures, Copious Link and Hugemind Investments respectively at par.

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On March 18, 2016, our Company repurchased 3,166 shares, 500 shares, 3,166 shares, 2,218 shares and 950 shares with a par value of US\$1.00 from Cohort Investments, Vigor Cypress, Worldgate Ventures, Copious Link and Hugemind Investments respectively (the "Repurchase"), such repurchase price was made out of the proceeds from the issue of the New Shares. On the same date following the Repurchase, any authorized but unissued shares with a par value of US\$1.00 was canceled and the amount of authorized share capital of our Company was diminished by the amount of the shares so canceled, and that the authorized share capital of our Company became HK\$390,000.00 divided into 39,000,000 Shares with a par value of HK\$0.01.

**(6) Acquisition of 85% of the registered capital of Vixtel Technologies held by Vixtel Science**

On April 6, 2016, Vixtel Networks, our wholly-owned subsidiary, and Vixtel Science entered into an Equity Transfer Agreement pursuant to which, Vixtel Networks acquired 85% of registered capital of Vixtel Technologies held by Vixtel Science for a consideration of Hong Kong dollars equivalent to RMB30,912,700 which was determined with reference to the net asset value of Vixtel Technologies as of October 31, 2015 as shown in the valuation report prepared by an independent valuer dated November 18, 2015 and that as shown in the unaudited management accounts of Vixtel Technologies as of March 31, 2016. Such acquisition was properly and legally completed on May 17, 2016 and the consideration was paid by cash with the last payment made on August 1, 2016. Such consideration was made out of the loans of Hong Kong dollars equivalent to RMB30,912,700 in aggregate from Mr. Sie, Mr. Yue, Mr. Guan and Mr. Liang, being our ultimate Shareholders as at the date of the Equity Transfer Agreement, granted to our Company pro rata to their beneficial shareholdings in our Company as at such date during the period from July 20, 2016 to August 1, 2016. On September 30, 2016, such loans were capitalized. For further details, see "– (9) Loan capitalization issue and anti-dilution issue" below.

**(7) Swap of the entire issued share capital of Sino Impact HK for 1,376,470 new Shares of our Company**

On July 6, 2016 and as part of the [REDACTED] from Sino Impact BVI, Vixtel Systems, our wholly-owned subsidiary, entered into the Share Purchase Agreement pursuant to which, Vixtel Systems acquired from Sino Impact BVI the entire issued share capital of, and the shareholder's loan of US\$881,000 granted to, Sino Impact HK and in consideration of such acquisitions, Vixtel Systems procured the issuance and allotment of 1,376,470 new Shares by our Company to Sino Impact BVI, which represented 15% of the entire issued share capital of our Company as enlarged by such allotment. Such acquisition and allotment were properly and legally completed and settled on July 6, 2016 and upon which, Vixtel Technologies became an indirect wholly-owned subsidiary of our Company.

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### **(8) Investment made by Great Belief**

On July 8, 2016 and as part of its [REDACTED], Great Belief subscribed for 482,970 new Shares, representing 5% of the entire issued share capital of our Company as enlarged by such subscription, for a consideration of HK\$10 million which was determined with reference to the profits of Vixtel Technologies for the financial year ended December 31, 2015 and the growth prospect of our Group. Such subscription was properly and legally completed and the consideration was fully paid by cash on July 8, 2016.

### **(9) Loan capitalization issue and anti-dilution issue**

Pursuant to the written resolutions of our Shareholders passed on September 30, 2016, our Directors were authorized to capitalize the non-interest bearing loans of Hong Kong dollars equivalent to RMB30,912,700 in aggregate granted by Mr. Sie, Mr. Yue, Mr. Guan and Mr. Liang to our Company pro rata to their beneficial shareholdings in our Company as at April 6, 2016 during the period from July 20, 2016 to August 1, 2016, for the purpose of settlement of the consideration for the acquisition of 85% of the registered capital of Vixtel Technologies by Vixtel Networks. On the same date and according to such written resolutions, 32 new Shares, 32 new Shares, 22 new Shares and 9 new Shares credited as fully paid were issued and allotted to Cohort Investment (wholly-owned by Mr. Sie), Worldgate Ventures (wholly-owned by Mr. Yue), Copious Link (wholly-owned by Mr. Guan) and Hugemind Investments (wholly-owned by Mr. Liang), respectively. Pursuant to the anti-dilution provision under the [REDACTED] Agreement and the written resolutions of our Shareholders passed on September 30, 2016, 5 new Shares credited as fully paid were issued and allotted to Great Belief.

### ***Excluded Entity***

In preparation of the [REDACTED], we decided to exclude Vixtel Science from our Group.

For further details of Vixtel Science, the reason for exclusion and the measures adopted for the avoidance of potential competition, see "Relationship with our Controlling Shareholders – Company Owned by Our Controlling Shareholders but Not Included in Our Group" and "Relationship with our Controlling Shareholders – Non-Competition Undertaking".

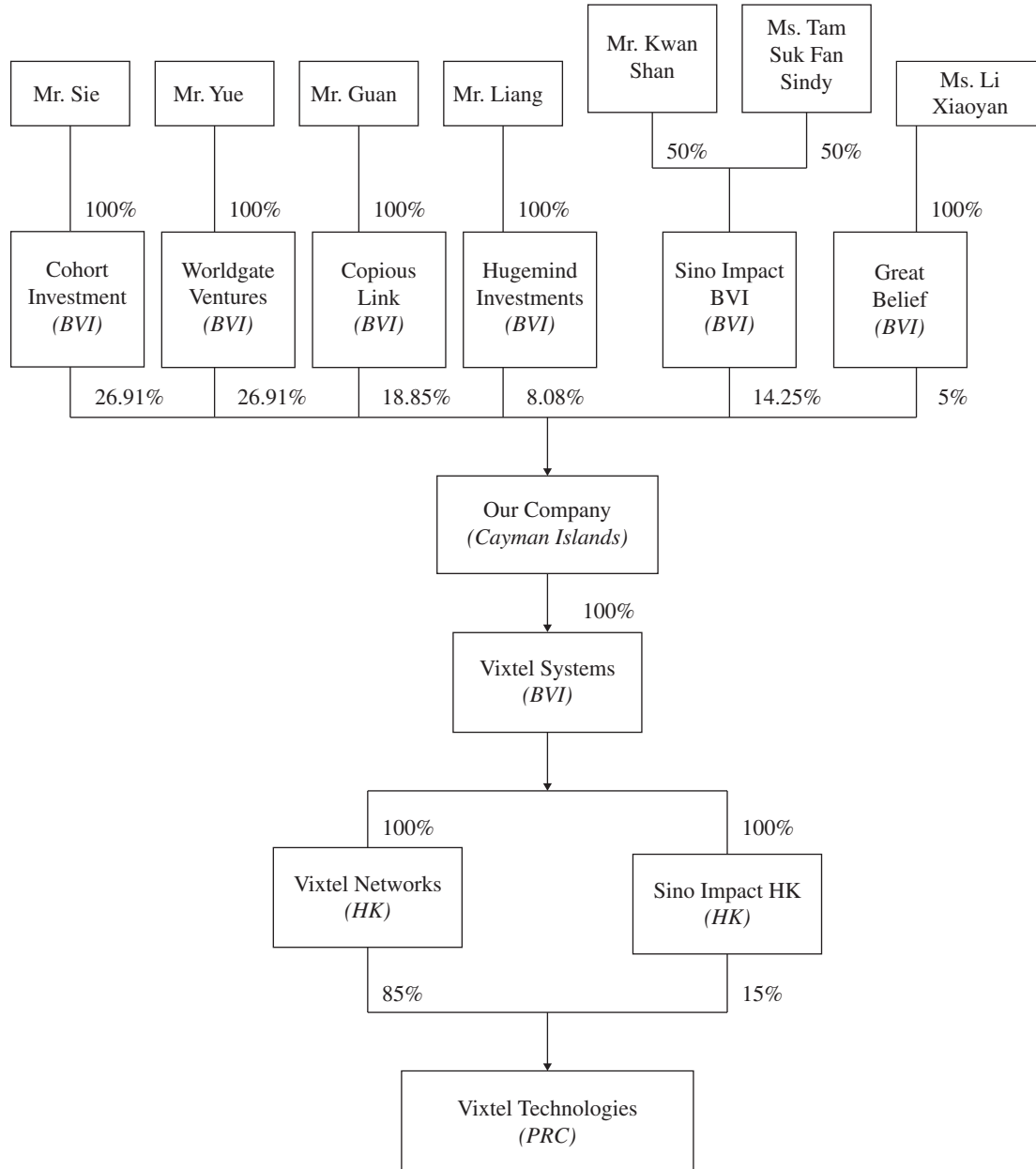
Other than Vixtel Science, the Group does not have any other excluded entity.



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### SHAREHOLDING AND CORPORATE STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganization but prior to the completion of the [REDACTED] and the [REDACTED]:





## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

[REDACTED]

We have introduced two [REDACTED] prior to the [REDACTED]. A summary of the key particulars of the investment by our [REDACTED] is set out below:

Name of investor	Sino Impact BVI	Great Belief
<i>Background of investor</i>	Sino Impact BVI is a company incorporated in the BVI with limited liability on July 21, 2015 and is owned by Mr. Kwan Shan and Ms. Tam Suk Fan Sindy in equal share. Mr. Kwan and Ms. Tam are married couple and have involved in commodity trading. Prior to making an investment into our Group, Sino Impact BVI and its beneficial owners were independent from our Company and the connected persons of our Company	Great Belief is a company incorporated in the BVI with limited liability on January 8, 2016 and is wholly-owned by Ms. Li Xiaoyan. Prior to making an investment into our Group, Great Belief and its beneficial owner were independent from our Company and the connected persons of our Company
<i>Date of relevant agreement</i>	December 18, 2015  <i>Note: the date of the relevant agreement is based on the date of the Capital Increase and Enlargement Agreement</i>	July 8, 2016
<i>Consideration</i>	RMB5,837,600 (equivalent to approximately HK\$6,564,381)	HK\$10 million
<i>Payment date</i>	July 6, 2016	July 8, 2016
<i>Basis of determination of consideration</i>	arm's length negotiations among the parties with reference to the net asset value of Vixtel Technologies as of October 31, 2015 as shown in the valuation report prepared by an independent valuer dated November 18, 2015 and the price to earnings ratio of the audited financial statement of Vixtel Technologies for the financial year ended December 31, 2014	arm's length negotiations among the parties with reference to the profits of Vixtel Technologies for the financial year ended December 31, 2015 and the growth prospect of our Group
<i>Investment cost per Share</i> <i>(Note 1)</i>	approximately HK\$0.125 per share	approximately HK\$0.521 per share

[REDACTED]

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Name of investor	Sino Impact BVI	Great Belief
<i>Use of proceeds from the [REDACTED]</i>	the proceeds of its [REDACTED] have been fully used to increase the registered capital of Vixtel Technologies	the proceeds of its [REDACTED] have been used for the settlement of the expenses incurred in the [REDACTED] of approximately HK\$[REDACTED] and the remaining proceeds will be used for the general working capital of the Group
<i>Approximate percentage of shareholding upon [REDACTED] (Note 2)</i>	[REDACTED]	[REDACTED]
<i>Benefit from the [REDACTED] to our Group</i>	broadening our Shareholder base and providing additional working capital to our Group	broadening our Shareholder base and providing additional working capital to our Group
<i>Special rights</i>	nil	anti-dilution prior to completion of the [REDACTED]
[REDACTED]	pursuant to the terms of the relevant agreement and a [REDACTED] executed by Sino Impact BVI, the Shares held by it will be required to be [REDACTED] for 6 months from the [REDACTED]	pursuant to the terms of the relevant agreement and a [REDACTED] executed by Great Belief, the Shares held by it will be required to be [REDACTED] for 6 months from the [REDACTED]
[REDACTED]	as Sino Impact BVI will hold more than [REDACTED]% of the total issued share capital of our Company immediately following the completion of the [REDACTED] and the [REDACTED], it will be our Substantial Shareholder upon [REDACTED] and hence the Shares held by Sino Impact BVI will not be counted as part of the public float for the purpose of Rule 11.23 of the GEM Listing Rules	as Great Belief is not a Substantial Shareholder or core connected person of our Company under the GEM Listing Rules, the Shares held by Great Belief will be considered as part of the public float for the purpose of Rule 11.23 of the GEM Listing Rules

*Notes:*

1. This is derived based on the number of Shares to be held by the [REDACTED] upon completion of the [REDACTED] and the [REDACTED] (but does not take into account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or the options which may be granted under the Share Option Scheme).
2. This is derived based on the number of Shares held by the [REDACTED] upon completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued upon the exercise of the [REDACTED] or the options which may be granted under the Share Option Scheme).

### **Sole Sponsor's view**

The Sole Sponsor has confirmed that the investments by the [REDACTED] detailed above is in compliance with the Interim Guidance on [REDACTED] (HKEx-GL29-12) issued by the Stock Exchange in January 2012 and the Guidance on [REDACTED] (HKEx-GL43-12) issued by the Stock Exchange in October 2012 and updated in July 2013.

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

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### **LEGAL COMPLIANCE**

Our PRC legal advisers have confirmed that all requisite approvals and permits in relation to the share transfers in respect of Vixtel Technologies as described above had been obtained and the procedures involved had been carried out in accordance with PRC laws and regulations.

### **M&A Rules of the PRC**

For details of the Provisions on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “**M&A Rules**”), see “Regulations – Regulations on Foreign Investment”.

Pursuant to the M&A Rules, “mergers and acquisitions of domestic enterprises by foreign investors” refers to (i) the purchase of the equity interests of non-foreign invested enterprises established within the territory of the PRC (“**Domestic Companies**”) by foreign investors; (ii) the subscription for the increased capital of the Domestic Companies by foreign investors, thus converting the Domestic Companies into foreign-invested enterprises; (iii) the purchase of the assets of the Domestic Companies and operation of such assets through the foreign-invested enterprises established by foreign investors for the purpose of merging and acquiring the Domestic Companies; or (iv) the purchase of the assets of Domestic Companies by foreign investors who then invest such assets to establish foreign-invested enterprises. In the event that any Domestic Company, enterprise or natural person merges or acquires an affiliated Domestic Company through an overseas company duly established or controlled by it, such merger or acquisition shall be submitted to the MOFCOM for examination and approval.

In accordance with the Manual of Guidance on Administration of the Access from Foreign Investment (外商投資準入管理指引手冊), equity transfer by a domestic investor of an existing foreign-invested enterprise to a foreign investor shall not be subject to the M&A Rules, regardless of the relationship between the domestic and foreign investor, or if the foreign investor is an existing shareholder or a new investor. The M&A Rules therefore only apply to any merger and acquisition of a Domestic Company.

Our PRC legal advisers have confirmed that all relevant approvals and permits in relation to the subscription for 15% of the enlarged registered capital of Vixtel Technologies as described above had been obtained from the relevant authorities. Since upon completion of the aforesaid subscription, Vixtel Technologies has become a foreign-invested enterprise, our PRC legal advisers confirmed that the M&A Rules do not apply to the subsequent acquisition by Vixtel Networks of the 85% of the registered capital of Vixtel Technologies. As such, no approval from the CSRC, MOFCOM or other relevant PRC authorities under the M&A Rules are required in relation to the Reorganization and the [REDACTED].

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Circular No. 37

For details of the Circular on Relevant Issues Concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investment Conducted by Domestic Residents through Overseas Special Purpose Vehicles (the “**Circular No. 37**”), see “Regulations – Regulations on Foreign Exchange Controls”. As Mr. Yue, Mr. Liang and Mr. Guan are PRC residents within the scope of the Circular No. 37 and they indirectly hold the Shares of our Company through Worldgate Ventures, Hugemind Investments and Copious Link, respectively, such shareholdings in our Company are therefore subject to the requirements of foreign exchange registration under the Circular No. 37.

According to the Foreign Exchange Registration Form for Domestic Residents to Engage in Overseas Investment (境內居民個人境外投資外匯登記表) issued by Beijing SAFE, Mr. Yue, Mr. Liang and Mr. Guan have registered their offshore investments required under the Circular No. 37 on January 15, 2016.

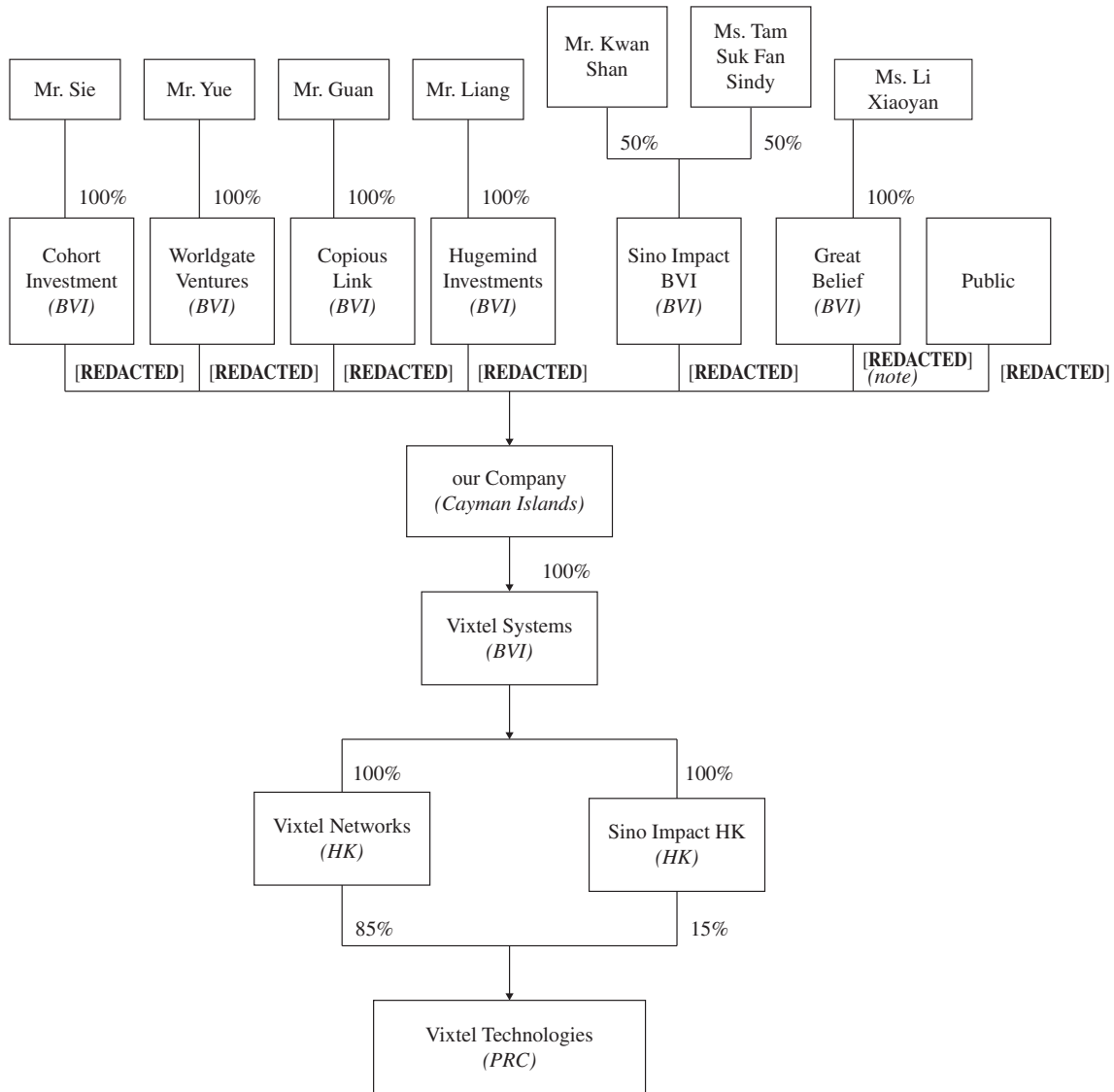
### [REDACTED] AND [REDACTED]

On November 21, 2016, the authorized share capital of our Company was increased from HK\$390,000 to HK\$200,000,000 by the creation of an additional 19,961,000,000 Shares.

Conditional upon the crediting of our Company’s share premium account as a result of the issue of the [REDACTED] pursuant to the [REDACTED], our Directors are authorized to capitalize a sum of HK\$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of [REDACTED] Shares for allotment and issue to Cohort Investments, Worldgate Ventures, Copious Link, Hugemind Investments, Sino Impact BVI and Great Belief as to [REDACTED] Shares, [REDACTED] Shares, [REDACTED] Shares, [REDACTED] Shares, [REDACTED] Shares and [REDACTED] Shares respectively.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately after the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued upon the exercise of the [REDACTED] or the options which may be granted under the Share Option Scheme):



*Note:* As Great Belief is not a Substantial Shareholder or core connected person of our Company under the GEM Listing Rules, the Shares held by Great Belief will be considered as part of the [REDACTED] under Rule 11.23 of the GEM Listing Rules.

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

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### **PARTIES ACTING IN CONCERT**

As supported by certain internal corporate records, email correspondence, board resolutions and shareholders' resolutions of our Group, our ultimate Controlling Shareholders, namely Mr. Sie, Mr. Yue, Mr. Guan and Mr. Liang, have been acting in concert in relation to the management of our Group (such as the recruitments of senior staff, the formulation of our Group's internal staff policies, discussions of our Group's development and future plans and negotiations with major customers) since December 29, 2010 when the entire equity interests in Vixtel Technologies were transferred to Vixtel Science. Pursuant to the Deed of Concert Parties, our ultimate Controlling Shareholders further confirm, agree and acknowledge that since December 29, 2010:

- (a) among each of them that they are parties acting in concert in respect of our Group until the Deed of Concert Parties is terminated by all parties to it or, in respect of the outgoing party, the disposal of all such party's shareholdings in our Company;
- (b) they shall continue to give unanimous consent, approval or rejection in accordance with Mr. Sie's decisions on any material issues and decisions in relation to the business of our Group in respect of the management of our Group, the introduction of offshore investors for any members of our Group, reorganization and the engagement of sponsors and other professional parties, etc.;
- (c) they shall continue to cast vote collectively for and against all resolutions in all meetings and discussions of any members of our Group in accordance with Mr. Sie's decisions;
- (d) they shall continue to cooperate and consult with each other to obtain and maintain the consolidated control and management of our Group; and
- (e) they shall continue to obtain written consent from all parties to the Deed of Concert Parties in advance of purchasing and selling of any securities of any members of our Group.

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## BUSINESS

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### OVERVIEW

We are a market leader in China's application performance management, or APM, industry. According to the F&S Report, in terms of the contract value in 2015, we are the third largest APM products and services provider in China with a market share of approximately 10.4%, and the largest on-premise APM products and services<sup>1</sup> provider in China with a market share of approximately 24.0%. According to the F&S Report, we are also the only China-based APM products and services provider which provides solutions to a commodity exchange in China.

Our mission is to empower enterprises with modern network management and monitoring technologies such that they can improve their business performance and gather business intelligence. Since our inception in 2006, we have been engaging primarily in the design, development, implementation and support of integrated APM solutions that enable our customers to manage and monitor the performance of their applications and networks. We offer our products and services primarily through our two proprietary platforms, namely the NetVista platform and the Trade QoS system, both of which feature comprehensive management and monitoring of application or network performance, and help our customers make real-time and data-driven decisions to improve their business and IT performance. Our APM product and service offerings include primarily (1) system integration services, (2) software development services, (3) technical services, and (4) sales of standard hardware and software. We derive a majority of our revenue from our system integration services during the Track Record Period, representing approximately 60.8%, 51.9% and 77.3% of our total revenue for 2014, 2015 and the five months ended May 31, 2016, respectively.

Our customers include state-owned and privately-run telecommunications operators, cable television providers, network equipment manufacturers, electric utilities companies and a commodity exchange, with whom we have maintained long-term and stable business relationships. Among our largest customers are certain independently-operated provincial subsidiaries of the China's Largest Telecom Group, which is the largest telecommunications operator in China in terms of total revenue and number of users, according to the F&S Report. Our business with each of such provincial subsidiaries is conducted on standalone basis under sales agreements entered into solely between such provincial subsidiary and us, considering that each provincial subsidiary is a separate legal entity with independent decision-making authority. As each of such provincial subsidiaries is operated independently and we enter into sales agreement separately with each of them on different commercial terms, we do not consider the China's Largest Telecom Group as one single customer. See "-- Our Customers" below for more details.

Our business model is backed by our strong in-house research and development and product innovative capabilities. We have established an in-house R&D team consisting of software developers and engineers with extensive experience, and operate three research and

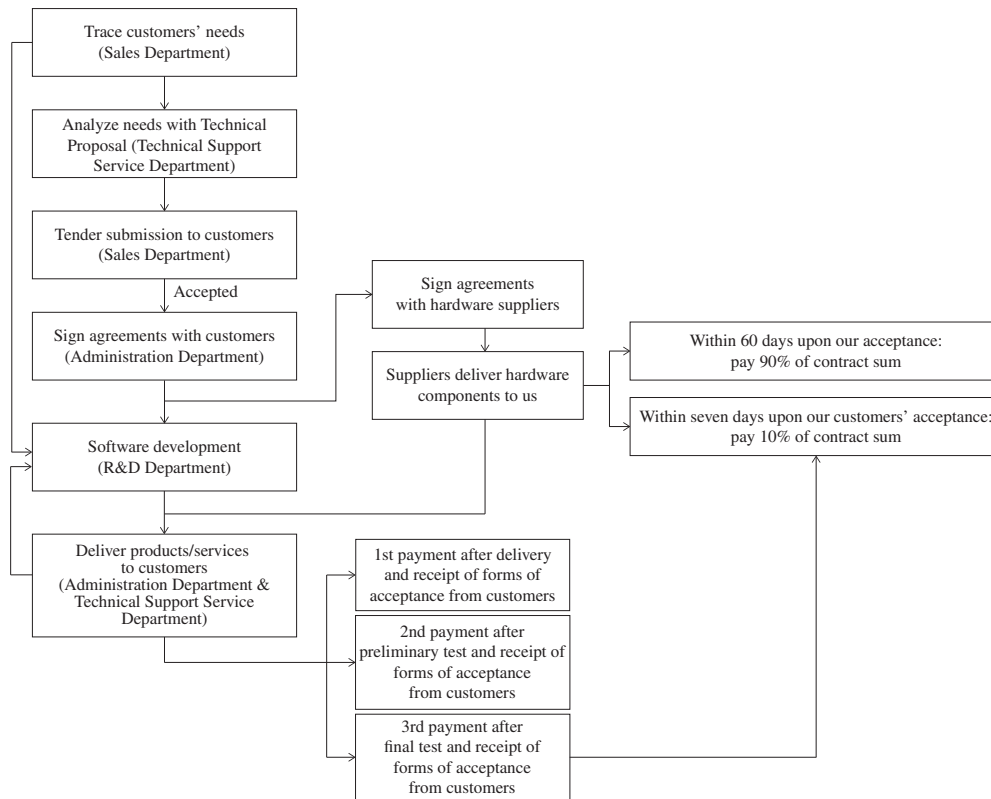
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<sup>1</sup> The APM market contains two segments, on-premise APM services and SaaS-based APM services. In the year of 2015, the SaaS-based APM market occupied approximately 56.6% of the whole APM market, while on-premise APM stood for approximately 43.4%. See "Industry Overview" for more details.

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development centers in Beijing, Hefei, Anhui province, and Harbin, Heilongjiang province, respectively. Substantially all of our core products were developed by our in-house R&D department. We aim to further focus our research and development activities on optimizing our existing products and launching new and tailored features and contents, for instance an optimized NetVista platform, a trading business performance management system, a cloud-based SaaS platform, a big data collecting and analyzing system, an OTT performance management system and a mobile application performance management system.

The following diagram illustrates our business model and summarizes a typical workflow of our projects, which includes the relevant departments participating in a project, the flows of our products and services and typical payment schedules for our customers and suppliers.



We operate in China's APM industry, which is an emerging segment of China's IT industry. According to the F&S Report, the APM industry in China is relatively small and at its early stage as compared to other developed markets such as North America, which was 15 times larger than China and the largest APM market in the world in 2015. China's APM industry witnessed rapid growth over the recent years, with its market size increasing from approximately RMB116.5 million in 2010 to approximately RMB672.3 million in 2015 at a CAGR of 42.0% from 2010 to 2015. The size of the APM market in China will further rise to approximately RMB5,252.0 million by 2020, representing a CAGR of 50.9% from 2015 to 2020. According to the F&S Report, the APM industry contains two segments, namely on-premise APM products and services and SaaS-based APM products and services. On-premise APM products are installed and run on computers or servers on the premises, while SaaS-based APM products run on remote facilities such as cloud. Large enterprises, especially



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those concern more about data security, prefer on-premise APM products over SaaS-based APM products because such enterprises are usually subject to legal requirements to keep all the data and information in the data center, rather than storing the data remotely which might expose them for leakage risks. The SaaS-based APM products are generally more acceptable to SMEs because the setup cost is lower. We focus primarily on on-premise APM products and services, and expect to commercialize a cloud-based SaaS platform in the first half of 2017. This platform will allow customers to subscribe for and access our APM services via cloud in lieu of purchasing and self-maintaining a set of physical APM system at their premises. According to the F&S Report, the market size of the SaaS-based APM services is expected to increase from approximately RMB380.2 million in 2015 to approximately RMB3,460.6 million in 2020 at a CAGR of 55.5% from 2015 to 2020, representing large growth potential for us in this area. We believe we are well positioned to capture such anticipated growth prospect leveraging on our on-premises APM experience and client base. Going forward, we plan to expand our customer base and consolidate our leading position in China's overall APM industry.

Our revenue grew from approximately RMB41.0 million in 2014 to approximately RMB51.5 million in 2015, representing a year-over-year growth rate of approximately 25.7%. Our revenues for the five months ended May 31, 2015 and 2016 were approximately RMB18.6 million and approximately RMB26.0 million, respectively, representing a period-over-period growth rate of approximately 39.5%. Our gross profit grew from approximately RMB23.7 million in 2014 to approximately RMB31.2 million in 2015, representing a year-over-year growth rate of approximately 31.6%. Our gross profit for the five months ended May 31, 2015 and 2016 was approximately RMB11.0 million and approximately RMB15.2 million, respectively, representing a period-over-period growth rate of approximately 37.8%.

### COMPETITIVE STRENGTHS

We believe that the following strengths of our Group differentiate us from our competitors and help us compete effectively in the industry.

#### **A market leader in the fast-growing APM industry in China with a proven record of success**

We are a market leader in China's APM industry. According to the F&S Report, in terms of the contract value in 2015, we are the third largest APM products and services provider in China with a market share of approximately 10.4%, and the largest on-premise APM products and services provider in China with a market share of approximately 24.0%. According to the F&S Report, we are also the only China-based APM products and services provider which provides solutions to a commodity exchange in China.

We have achieved rapid growth since our inception in 2006 to become a leading player in China's APM industry, with revenue growing to approximately RMB51.5 million in 2015 from approximately RMB41.0 million in 2014, representing a year-over-year growth rate of 25.7%. Our revenue for the five months ended May 31, 2016 reached approximately RMB26.0 million, compared to approximately RMB18.6 million for the same period in 2015, representing a period-over-period growth rate of 39.5%.

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We managed to mark our presence in China’s APM industry in 2006, a period when this industry was still relatively immature. China’s APM industry witnessed rapid growth over the recent years, with its market size increasing from approximately RMB116.5 million in 2010 to approximately RMB672.3 million in 2015 at a CAGR of 42.0% from 2010 to 2015. As an emerging segment of China’s IT industry, the overall APM industry is expected to thrive benefiting from the Internet Plus (互聯網+) strategy issued in March 2015 by the Chinese government. This strategy aims to promote economic growth and foster new industries and business development, including e-commerce, industrial Internet and Internet finance, by integration of mobile Internet, cloud computing and big data with conventional industries such as manufacturing. We believe this strategy will encourage and promote the adoption of the latest information technology among various industry sectors in China, which in turn creates a higher demand for our products and services. According to the F&S Report, the size of the APM market in China will mount up to approximately RMB5,252.0 million by 2020, representing a CAGR of 50.9% from 2015 to 2020. Leveraging our early-mover advantage and leading service capabilities, we believe we are well positioned to benefit from such growth prospect and compete more effectively in the future.

We believe that our brand “Vixtel” is a well-known brand name in China with respect to APM products and services. Our understanding of the operational and business needs of our customers and accumulated knowledge on the APM market in China allow us to tailor our products to specifically meet the management needs of our customers. The commercial success of our products, especially the NetVista platform, has given us nationwide recognition. In 2010, we were mandated to be the official provider of APM products and services for the 2010 Guangzhou Asian Games. We are also accredited as a “high and new technology enterprise” (高新技術企業) by the relevant PRC governmental authorities in 2010 and have enjoyed tax benefits associated with this accreditation since then. For other key honors and awards that we received during the Track Record Period, see “– Awards and Certificates” below.

We believe our past footprint has laid a solid foundation for significant future growth. Supported by our strong in-house research and development capabilities and experienced sales and service network, we believe we are able to further scale up our operation and expand our services quickly.

### **Long-term and stable business relationships with large and reputable customers**

Our customers include state-owned and privately-run telecommunications operators, cable television providers, network equipment manufacturers, electric utilities companies and a commodity exchange. We have a strong business relationship in particular with companies in the telecommunications industry and the financial industry which are some of the most frequent users in China’s on-premise APM industry. According to the F&S Report, the telecommunications industry alone represented approximately 42.0% of the total on-premise APM market in 2015 while the financial industry accounted for approximately 16.1% of the total on-premise APM market in 2015. Based on the F&S Report, we are the largest and the third largest player in the telecommunications on-premise APM industry and the financial on-premise APM industry, respectively, with a market share of approximately 45.6% and 5.5%, respectively, in terms of contract value in 2015.

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Among our largest customers are certain independently-operated provincial subsidiaries of the China's Largest Telecom Group, which is the largest telecommunications operator in China in terms of total revenue and number of users, according to the F&S Report. We forged our business relationship with the subsidiaries of the China's Largest Telecom Group for almost 10 years since 2007, and have strengthened our business relationship over the years through our provision of APM products and services with high and consistent quality. To further fortify our relationship, we also established a technical support service department composed of experienced experts in network management, monitoring and optimization upon the commencement of our services specifically for them such that they can be assisted in operating our systems and conducting internal network management and maintenance. As of May 31, 2016, we had provided APM products and services to the provincial subsidiaries of the China's Largest Telecom Group located across 28 provinces and regions in China.

Serving the industry leader has earned us solid reputation among our current and potential customers. Our other reputable top customers include other state-owned telecommunications operators, provincial cable television providers and a commodity exchange. We have maintained stable business relationships with our top customers for two to eight years. As of May 31, 2016, aside from the provincial subsidiaries of the China's Largest Telecom Group, we had 60 customers from different industries, including telecommunications, cable television, network equipment manufacturing, electric utilities and finance. Our customer base enables us to continue benefiting from the growth in different industries and regions in China. We believe the network effect of our customer base will help us attract new customers and strategic partners, such as third-party developers. Leveraging our dominant market share in China's on-premise APM market, we believe we can grow our business through our expanding customer base.

### **Strong in-house research and development and product innovative capabilities**

We believe our research and development capabilities represent our core competence and afford us a key competitive advantage in China's APM market. As of May 31, 2016 our R&D department had 90 members, accounting for approximately 55.2% of our total employees. Among them five obtained master's or higher degrees, and 60 obtained bachelor's degrees or other advanced degrees. In addition, we operate three research and development centers in Beijing, Hefei, Anhui province, and Harbin, Heilongjiang province, respectively, to design our core products such as the NetVista platform and to spearhead the development of our network management and monitoring technologies such as the cloud-based SaaS platform. Substantially all of our core products were developed by our in-house R&D department. We believe this team will enable us to effectively leverage network management and monitoring technologies to help us realize our strategic goals. We incurred research and development expenses of approximately RMB4.7 million, RMB4.0 million and RMB1.4 million in 2014, 2015 and the five months ended May 31, 2016, respectively, representing approximately 11.5%, 7.7% and 5.4% of our revenue in the same periods, respectively.

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Our strength in developing products in-house benefits us in the following ways, including:

- we are able to perform all of the product development and expansion based on the NetVista platform, our preliminary product with standard APM functionality, therefore allowing us to easily improve our APM products and services by frequently updating such platform with latest technology developments in a cost-effective manner. This extensible platform also allows us to maintain high consistency in the functionality and quality of our APM products and services;
- we are able to tailor the design of our products based on customers' specific orders to interconnect our products with our customers' systems as well as to meet their particular needs. We have established a well-rounded technical support service department consisting of service specialists with relevant industry-specific expertise. These service specialists are primarily assigned to station at the premises of our major customers to provide on-site technical support, including liaison with our R&D department regarding specific requests from or the product defects encountered by each customer. Our R&D department can proceed to develop, upgrade or expand our products according to such first-hand feedback;
- we are able to provide off-the-shelf products for the market to appeal to the domestic customers based on our insight into their preferences and business practices;
- we are able to design our products to be easily distributed online, which reduces piracy, lowers distribution costs and enables ease of purchase by our customers;
- we are able to control and lead the development process and release of periodic upgrades and enhancements to retain existing customers and attract new customers based on our own customers' feedback and intelligence; and
- we are able to initiate and execute simultaneously several different large-scale development projects through our three research centers, allowing us to develop and launch new products quickly to capture market opportunities arising from emerging technology and new market trends.

Our strong research and development capabilities have enabled us to develop innovative proprietary technologies for our products. As of the Latest Practicable Date, we were the registered owner of six trademarks, 29 registered software copyrights and eight pending patent applications in China. We believe our research and development capabilities and technological innovation will be essential to maintaining our competitive edge.

### **Well-established sales and service network**

As of May 31, 2016, our sales department consisted of 10 members who are assigned to station in Beijing, Shanghai, Guangzhou, Guangdong province, Changsha, Hunan province, Nanchang, Jiangxi province or Guiyang, Guizhou province to mainly engage in marketing

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activities for the promotion of our business in adjacent provinces. They are responsible for promoting our brand, maintaining customer relationships and making recommendations as to our products and services. Customers can easily reach our sales staff anytime through multiple channels, including telephone, emails or our regular on-site visits. We also established a technical support service department consisting of 46 service specialists as of May 31, 2016, with an average work experience of approximately six years in the Internet and software industry located in 25 different provinces and regions in China. Of these service specialists 41 are stationed at our major customers' premises free of charge to provide on-site technical support, for instance training sessions for the customers' staff on our products, real-time responses to the customers' inquiries on our products, and consultation on general technological matters such as the customers' network environment. Relying on our service specialists' extensive experience in network management, monitoring and optimization, we are able to provide timely assistance and services to our customers regardless of their geographic locations. In addition, the service specialists liaise with our R&D department regarding our customers' specific requests and feedback on our products and services on a weekly basis, which constitute an important basis for us to closely follow the latest industrial trends and customer preferences, as well as to continuously upgrade and expand our products and services.

We will further expand our sales and service network to other target markets in China and overseas to better serve our customers and source more potential customers. We believe that our customized and expedient services through this well-established sales and service network will further enhance our brand recognition and customer loyalty, which will in turn continue to drive our business growth.

### **Visionary and dedicated management team**

We are under the leadership of a visionary and dedicated management team. This team has led our efforts in growing our business significantly over the years. Mr. Yue, our chairman and chief technology officer, owns over 15-year experience in the high technology software solution industry and has been critical in strengthening our technology capabilities since he founded our Group along with Mr. Sie and Mr. Guan in 2006. Mr. Sie, our chief executive officer, has approximately 16 years of experience in network management and monitoring. Prior to founding our Group, he worked for over eight years in the area of network management and monitoring. Mr. Sie is in charge of our overall business operations and strategic direction. Mr. Guan, our chief sales officer, has over 15 years of experience in sales and marketing of high technology software solutions, and is in charge of managing our nationwide sales and service network. Our founders have accumulated extensive experience and in-depth knowledge of the industry. They have been instrumental in shaping our vision and strategic direction.

All of our management team members have worked closely together and developed strong synergies in their work and management style combining together their diverse and complementary skills and backgrounds. We believe our management team is able to leverage our market position to execute our business strategies and drive our future growth. For more details of our management team, see "Directors and Senior Management".

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### BUSINESS STRATEGY

Our long-term objective is to become a leading international APM products and services provider. To that end, we intend to implement a business strategy with the following key components.

#### **Further solidify our leadership in China's APM market**

The APM market in China is relatively at its early stage. Riding on the increasing domestic demand in China for APM products and services, our revenue achieved rapid growth during the Track Record Period, experiencing a year-over-year growth rate of 25.7% from 2014 to 2015 and a period-over-period growth rate of 39.5% from the five months ended May 31, 2015 to the same period in 2016. According to the F&S Report, the size of the APM market in China will mount up to approximately RMB5,252.0 million by 2020 from RMB672.3 million in 2015, representing a CAGR of 50.9% from 2015 to 2020.

We are a market leader in the APM market in China. We intend to continue to solidify our leadership in this industry by (1) launching new and tailored features and contents, (2) deepening our specialty in provision of products and services to certain industries, (3) enhancing customer experience and broadening customer awareness, (4) cross-selling different products and services to customers, and (5) promoting our brand recognition.

- *Launch new and tailored features and contents.* We intend to enlarge our core competence by launching new and tailored features and contents to better address our customers' increasing demands for performance management and improvement. For our NetVista platform, we plan to strengthen its existing business and analytical functions, such as providing reports comparing application performance with those of competitors based on data stored in our database. We also plan to strengthen our monitoring competence to penetrate into new technology fields such as Internet television. For our Trade QoS system, we will release a new version tailored for exchanges, securities companies and futures companies engaging in high frequency trading and algorithmic trading. Our current product pipeline also includes a big data collection and analysis system built on the data we retrieved from serving telecommunications operator customers, a system that monitors the performance of OTT and a system monitoring and managing performance of multiple applications on mobile devices. In addition, we expect to commercialize our cloud-based SaaS platform in the first half of 2017. The development of this platform has entered into the stage of pilot testing by some of our customers, and we have not encountered any major issues so far. One of such customers in Hong Kong, having tested our platform, has already placed a purchase order for our SaaS-based APM services in October 2016. This platform will allow us to provide APM services via cloud and is expected to help us to capture the market opportunity in the rising popularity and increasing demand for SaaS-based products. For detail regarding the SaaS-based APM industry in China, see "Industry Overview – Recent Development of the SaaS-based APM Industry in China – Market Drivers of China's SaaS-based APM



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Industry". According to the F&S Report, the market size of the SaaS-based APM services reached approximately RMB380.2 million in 2015, and is expected to further increase to approximately RMB3,460.6 million in 2020 at a CAGR of 55.5% from 2015 to 2020, representing large growth potential for us in this area. Based on our established expertise, market reputation and brand in the APM industry, we believe that we will be able to capture the business opportunity and rising market demand for SaaS-based APM products and increase profitability.

- *Deepen our specialty in provision of products and services to certain industries.* We have successfully built a strong presence in the telecommunications industry and financial industry and accumulated substantial relevant experience. We will endeavor to deepen our specialty in provision of products and services to these industries by recruiting more software developers and engineers with in-depth understanding of the relevant industries, enlarging our technical support service department to cover more customers and collect more customer feedback on our products and services for further upgrades, and inviting our major customers to participate in our research and development process.
- *Enhance customer experience and broaden customer awareness.* We plan to add more customer-friendly features into our existing products, such as delivering alerts on application performance through a variety of channels including email, text message and push notifications. In addition, we seek feedback from our customers on a regular basis to update or fix our products and services. To further increase customer loyalty and create word-of-mouth promotion, we plan to organize free online or on-site training and expert speaker sessions from time to time for our major customers and selectively-invited guests. Considering that the APM market in China is relatively at its early stage, we also plan to broaden the awareness of our name among customers that are less familiar with our APM products and services, especially SMEs, by enhancing our marketing efforts and promoting our SaaS platform. According to the F&S Report, SMEs have a rising demand for APM products and services nowadays. Our SaaS platform, which functions as a cloud-based central APM processor available for subscription, is expected to attract more SMEs.
- *Cross-sell different products and services to customers.* We believe that our specialty in the provision of APM products and services would help us establish our reputation as an advanced APM products and services provider and long-term relationships with such customers, thus offering us cross-selling opportunities to serve the customers' ongoing requirements for other APM services or promote our new products and services. For example, the target customers of our Trade QoS system, namely exchanges and other financial institutions, may choose to subscribe for our new APM products that offer performance analysis and optimization solutions on high frequency trading and algorithmic trading due to the stable relationship with us and consistent high quality of our products and services. As such, we plan to leverage this niche business to cross-sell our future products and services.

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- *Promote our brand recognition.* We seek to promote our brand "Vixtel" as an international APM products and services provider. We will continue to enhance our presence at international industry events and market our products through a combination of traditional and online advertising, as well as social media promotions.

We intend to allocate approximately HK\$[REDACTED], or [REDACTED]% of the net proceeds from the [REDACTED] towards solidifying our leadership in China's APM market.

### **Continue to strengthen in-house research and development capabilities**

Our industry is characterized by rapid technology innovation and changing customer demand. We believe that our ability to respond to such technological advancements and to compete effectively in a relatively concentrated market are critical to our success. According to the F&S Report, in order to stay informed of the latest technological development and keep up with clients' changing demands and stay ahead of competition, it is important for APM providers to invest in research and development, which includes continuous development of technology, research on new products and involvement of experienced talents, to ensure the efficiency and competitiveness of their products. In 2015, the average spending on research and development for software companies in China was approximately 9.0% of their revenue, according to the F&S Report. As such, we are dedicated to deploying adequate resources to advance our research and development efforts. For 2014, 2015 and the five months ended May 31, 2016, our research and development expenses were approximately RMB4.7 million, RMB4.0 million and RMB1.4 million, respectively, accounting for approximately 11.5%, 7.7% and 5.4% of our total revenues during the same periods, respectively. The decrease in our R&D expenses in 2015 was because we purchased a relatively significant amount of low cost cell phones to conduct application testings in 2014 for certain R&D projects. Since 2015, we have been investing in the cloud-based SaaS platform and big data technologies to supplement our products and services, and we plan to further extend the application of these and other cutting-edge technologies into our future product portfolio. In particular, we are extending our APM competence from traditional applications, such as webpages, email, FTP, to new areas of applications, such as orchestrated applications, virtual networks, complicated financial trading and Internet television. In addition, our cloud-based SaaS platform will enable customers to subscribe for, deploy, maintain, use, and integrate computing resources as needed cost-effectively through Internet in lieu of purchasing and self-maintaining a set of physical APM system at their premises. Our big data technology will allow us to store and prepare massive amounts of both unstructured and structured data for rapid analysis and flexible querying.

To achieve this, we will continue to increase our investments and recruit additional software developers and engineers with relevant skills and expertise to strengthen our in-house research and development capabilities. We will also upgrade our in-house technology infrastructure to support our evolving research and development activities, for instance renting more servers, expanding connectivity bandwidth and updating our firewalls. Our cloud-based SaaS platform and big data collection and analysis system will require a significant number of servers and a significant amount of connectivity bandwidth. These upgrades can increase the speed at which our systems operate and enhance customer experience.



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## BUSINESS

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Supported by our robust research and development capabilities, we aim to expand our portfolio of products and services and enter into new areas with steady growth potential. We plan to introduce new products and contents such as the SaaS platform, a big data collecting and analyzing system and a mobile application performance management system. See “– Research and Development – Key Development Projects” for more details.

We plan to apply approximately HK\$[REDACTED] or [REDACTED] of the net proceeds from the [REDACTED] to these efforts. See “Future Plans and Use of Proceeds – Use of Proceeds”.

### **Leverage growth opportunities in China and strategically expand into certain overseas markets**

Our APM solutions cover 31 provinces and regions in China. We believe the APM market in China is poised for further growth, and we will continue to focus our efforts on capitalizing on these growth opportunities in China by deepening and expanding our portfolio of products and services to better address our customers’ increasing demands for performance management and improvement. According to the F&S Report, the overall size of China’s APM industry reached approximately RMB672.3 million in 2015, and is expected to grow rapidly in the next five years. We intend to maintain and strengthen our competitive position as China’s leading APM products and services provider by focusing our research and development efforts on upgrading our current APM products and services as well as releasing new features and contents. As we will continue to strengthen our in-house development capabilities to develop innovative new products and services, we believe we are well positioned to keep pace with the evolving market in China.

Outside China, we intend to expand strategically and increase our presence in certain overseas markets, such as Asian-Pacific countries. We plan to penetrate into these markets by introducing our new features and contents to these markets and identifying, if required, experienced and reliable local partners and distributors to facilitate our efforts. We will also enter and capitalize on opportunities in other selected overseas markets, such as the Middle East and South American countries, where we believe our products and services are competitive and appealing to the local customers, and where we can identify and work with suitable local partners who can facilitate our entry. We plan to penetrate into such overseas markets through cooperation with multinational network equipment manufacturers, who will integrate our products in their equipment when they sell them in those markets. To better implement our overseas expansion strategy, we plan to set up an overseas development department consisting of R&D, sales and technical support service members specialized in overseas markets. Our senior management has relevant expertise in developing overseas market based on their previous experience in the APM industry. In addition, we had briefly entered into the overseas market in 2006, but identified a market with more potential in the PRC for APM products and services and decided to redirect our resources to focus only in the PRC market. We believe that we have an operation of sufficient scale and accumulated extensive experience in the PRC APM industry to leverage on for the entry into the overseas market. With a [REDACTED] status and the net proceeds from the [REDACTED], we believe

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that we will have sufficient resources and ability to attract more talents to enter and compete in the overseas market. In October 2016, we have already received a purchase order from a Hong Kong customer for our SaaS-based APM services. We believe the growth of our business in overseas markets will enable us to cultivate our international brand recognition.

We plan to allocate approximately HK\$[REDACTED], or [REDACTED]% of the net proceeds from the [REDACTED] to these efforts.

### **Pursue strategic alliance and acquisition opportunities**

We have built our business so far primarily through organic growth. Going forward, we intend to actively pursue selective acquisitions and capture the opportunities to carry out consolidation of products, services and technologies related to or compatible with our core business to help us strengthen our market position and increase our competitiveness. The suitable opportunities we intend to pursue include:

- cutting-edge technologies in China's and overseas markets to further optimize and expand our APM products and services, as well as technologies that will help us capture key industry trends, such as big data, cloud computing, orchestrated application and virtual network;
- smaller domestic competitors with attractive niche customer base to further expand our customer reach and our market share, especially those operate in China's SaaS-based APM market; and
- other alliance and investment opportunities that our Directors reasonably consider appropriate.

The key criteria we apply in selecting acquisition targets include primarily their market size, customer base, technical capabilities and management team. We believe that strategic acquisition or investment allows us to strengthen our research and development capabilities as well as broaden our market coverage to support our fast-growing business cost-effectively. We had not identified any target for acquisition as of the Latest Practicable Date.

We plan to fund such strategic alliance and acquisition, shall such opportunities arise, by using internal financial resources of our Group, secondary fund raising post-[REDACTED] and/or available banking facilities.

### **OUR BUSINESS**

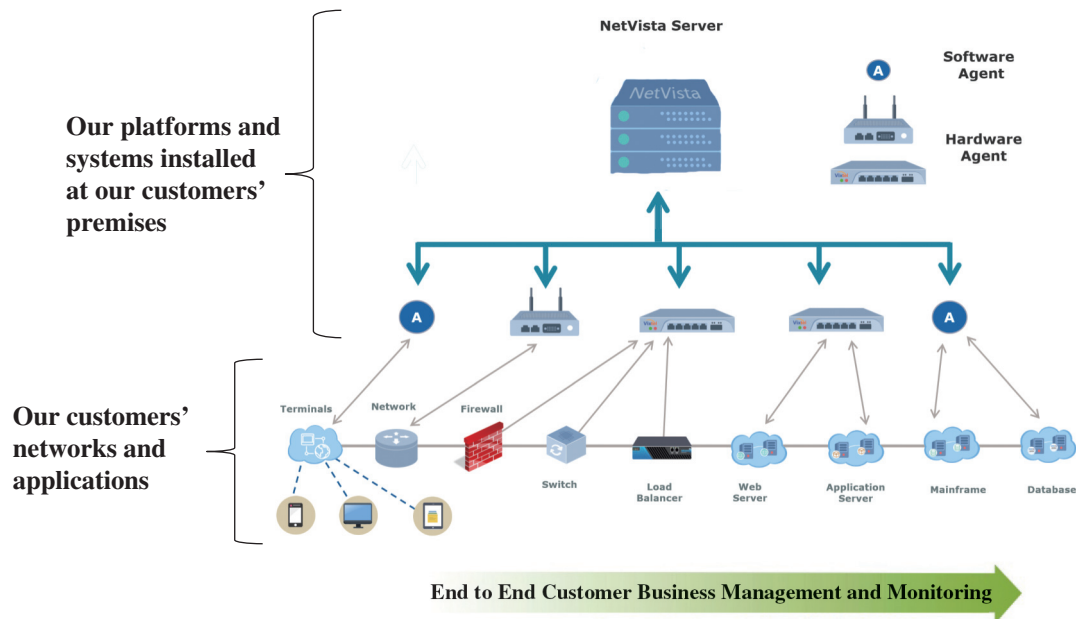
We are a provider of APM products and services in China.

APM is the monitoring and management of performance and availability of software applications and networks. It is a branch of IT system management that focuses on monitoring frontend performance and making backend system completely visible to maintain application and network performance at an appropriate level. Our APM products and services, which

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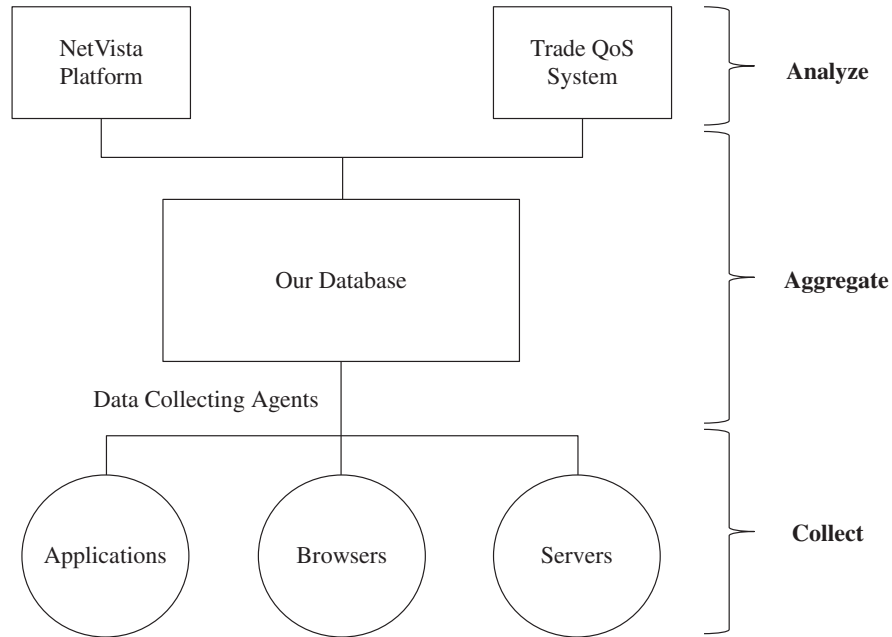
involve (1) system integration services, (2) software development services, (3) technical services, and (4) sales of standard hardware and software, strive to offer users effective troubleshooting and data analytics, detect and diagnose complex application performance problems to maintain an expected level of service, and in turn optimize the performance of our customers' business services and user experience.

To enable our customers to manage and monitor the performance of their applications and networks, we deploy our software code, called software agents, to our customers' applications and related IT infrastructures, such as browsers, servers, and mobile devices. We also deploy hardware agents among key positions inside our customers' network. These agents configure automatically to their IT environment and collect and send performance data to our NetVista platform. Data collected from our agents is stored in our highly secured database installed at our customers' premises and organized for analysis through our dashboard interface. Users can easily configure to monitor their key metrics and quickly make queries on our dashboard interface. The interface can generate a real-time data report in a range of visual and graphical formats, which give users visibility into the performance of their applications and networks, pinpoint root cause of underlying problems and provide diagnosis and solution. With this visibility, our customers can get real-time insights into their performance data and significantly improve the quality of their applications and networks. The following diagram illustrates the basic use of our APM products and services for our customers, which collects performance data from the end users and networks via our agents, transmits the data to our customers' network centers for aggregation, analyzes through our platforms and presents such analysis and performance data to our customers for their monitoring and management purposes.



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As illustrated above, our service process encompasses the following major components: (1) data collection, (2) data aggregation, and (3) information presentation and analysis. Such process is performed through a synergistic combination of our standard hardware and our proprietary technologies to ensure accurate and real-time results for our customers in a cost-effective manner. The following diagram illustrates in further details each of our service processes.



- *Data collection.* We deploy a large number of data collecting agents into our customers' applications, networks and related IT infrastructure, including browsers, physical and virtual servers and other types of terminal. We use three types of agents, including (1) rackmount agents, which are deployed primarily into data centers, network management centers and other large-sized IT infrastructure, (2) portable agents, which are smaller in size and deployed primarily into households and communities which are closer to the end users, and (3) software agents, which are deployed primarily into mobile applications and mobile telecommunications networks. These data collecting agents are controlled by a central server and automatically collect and send event and performance data securely to our proprietary database installed at our customers' premises. Our agents typically send this information once every five minutes, and can be customized to fit into the particular customer's applications and IT environment at a point in time.
- *Data aggregation.* Data collected from our agents are stored and aggregated in our highly secure and scalable big data database. Our database has been crafted so that our customers do not need to build or maintain their own big data solution. We optimized this database to store unstructured and structured data as well as to handle the analytics and queries that we believe are important to drive decision making. Customers can easily define which data they want to collect and aggregate for analysis.

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- *Information presentation and analysis.* Our user-friendly and intuitive user interface consists of a dashboard of graphical charts for key performance indicators, such as performance delay, fluctuation, packet loss and link quality, which continuously refresh and enable deep drill-down and root cause analysis. Upon customers' query, our APM products can generate a real-time data report in a range of visual and graphical formats. It also alerts our customers upon detecting, among others, application performance degradation, falling traffic, online payment failure, Internet video or web advertising buffer fault and other typical malfunctions through standard configurations as well as customer-defined policy configurations.

### OUR PRODUCTS AND SERVICES

We develop and offer all of our APM products and services primarily through our two proprietary platforms, namely the NetVista platform and the Trade QoS system. Our APM product and service offerings during the Track Record Period included primarily (1) system integration services, (2) software development services, (3) technical services, and (4) sales of standard hardware and software. In 2014, 2015 and the five months ended May 31, 2016, our total revenue from our APM products and services amounted to approximately RMB41.0 million, RMB51.5 million and RMB26.0 million, respectively. Below are further details of our four types of APM products and services.

- *System integration services.* We have been providing system integration services since our inception and have since developed a full spectrum of solutions to manage and monitor our customers' applications and networks. Before our customers' initial purchase, each customer is given the chance to work with our sales staff to evaluate its business needs, network environment and operational systems to design a version of APM product that is most suitable to the customer. Upon receipt of the purchase orders with details on the design, we commence tailor-making our APM products by, for example, modifying the existing modules and adding necessary plug-in modules and hardware components to integrate that version with our customers' systems and networks. Our revenue from system integration services was approximately RMB24.9 million, RMB26.7 million and RMB20.1 million in 2014, 2015 and the five months ended May 31, 2016, respectively, representing approximately 60.8%, 51.9% and 77.3% of our total revenue for the same periods, respectively.
- *Software development services.* Our software development services typically involve developing customized supporting software for upgrade and expansion of the APM products already integrated with our customers' systems and networks. In cases where our customers experience a significant change in their business or their business needs outgrow the applicability of their current software, we are engaged to upgrade their software systems for new features. In cases where our customers need more sophisticated management capabilities, we are engaged to provide additional modules or hardware components as needed to expand their software systems for enhanced functionality. Our revenue from software development services was approximately RMB5.9 million, RMB7.0 million and RMB2.6 million in 2014, 2015 and the five months ended May 31, 2016, respectively, representing approximately 14.3%, 13.6% and 9.9% of our total revenue for the same periods, respectively.

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- *Technical services.* Our customers typically engage us for technical support following their purchase of our APM products including operational support for our APM products, system maintenance, network analysis and optimization, and research study of specific topics on application and network performance. Such services help our customers to optimize the usage of our APM products and provide our customers additional value-added supports during their ordinary course of business. The specialists in our technical support service department are primarily responsible for the provision of our technical services through either on-site technical support or national hotline. Our revenue from technical services was approximately RMB9.4 million, RMB15.1 million and RMB2.2 million in 2014, 2015 and the five months ended May 31, 2016, respectively, representing approximately 22.9%, 29.3% and 8.5% of our total revenue for the same periods, respectively.
- *Sales of standard hardware and software.* During the Track Record Period, we sold hardware we purchased from third parties, such as hardware agents in connection with our APM products, and standard APM products to customers who do not require tailor-making services. We also expect to commercialize our cloud-based SaaS platform, where we offer our APM products and services to customers via cloud, in the first half of 2017. Such platform will further expand our customer base to include SMEs, which have rising demand for APM products and services. For more information about our cloud services, see “– Our Technologies – Cloud-based SaaS Platform”. Our revenue from sales of standard hardware and software was approximately RMB0.8 million, RMB2.7 million and RMB1.1 million in 2014, 2015 and the five months ended May 31, 2016, respectively, representing approximately 2.0%, 5.2% and 4.3% of our total revenue for the same periods, respectively.

Below are pictures of the hardware which are served as our data collecting agents in our projects.

### *Portable agents*



### *Rackmount agents*



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The following table sets forth a breakdown of our revenue by service type for the periods indicated.

	Year ended December 31, 2014		2015		Five months ended May 31, 2015				2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
System integration services	24,912	60.8	26,740	51.9	9,487	51.0	20,079	77.3		
Software development services	5,852	14.3	6,994	13.6	3,863	20.7	2,559	9.9		
Technical services	9,386	22.9	15,080	29.3	4,177	22.4	2,204	8.5		
Sales of standard hardware and software	841	2.0	2,715	5.2	1,091	5.9	1,126	4.3		
<b>Total</b>	<b>40,991</b>	<b>100.0</b>	<b>51,529</b>	<b>100.0</b>	<b>18,618</b>	<b>100.0</b>	<b>25,968</b>	<b>100.0</b>		

### OUR PLATFORMS

As of the Latest Practicable Date, we had launched two different platforms on which our APM products and services are based, and we also expect to commercialize our cloud-based SaaS delivery model in the first half of 2017.

#### NetVista Platform

Our NetVista platform manages and monitors the real-time performance and end user experience of applications. By deploying agents into application servers, browsers and operating systems, the NetVista platform collects performance and event data, for example response time, transaction throughput, error rates, top transactions and user experience, reports to our database for storage and analysis, and provides customers with visibility into the performance of their network-based applications. We also tailor and expand our NetVista platform to meet customers' particular needs and preferences. Key features with respect to the APM function of our NetVista platform include:

- comprehensive analysis, which provides customers with tools to test the performance of network-based applications, such as web browsers, mobile applications and OTT;
- automatic analysis, which reduces the time needed to identify and fix the root cause of problems by helping customers pinpoint exact problems that cause the performance failure;
- reporting and alerting, which notify customers of, among others, the performance degradation, falling traffic, and declining user experience metrics;
- customer-friendly interface, which allows customers to learn, deploy and begin using our products with minimal or no training, often within a few minutes;



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- easy upgrading, which allows customers to easily extend their ability to obtain additional insights from the same or new portions of data on their applications; and
- end-user experience monitoring, which monitors the page load time for user interactions, providing data on how time is spent during each page load, including network time, request queuing, document object model processing and page rendering, allowing our customers to use such data for user experience enhancement purposes.

Below is a selected screenshot of our NetVista platform with respect to the APM function.



Our NetVista platform also features as a troubleshooting tool for IP network performance. Through comprehensive end-to-end IP network performance analysis and management, our NetVista platform provides visibility into the performance of the network layers and application layers between any two nodes of a given network. It carries out a variety of end-to-end testing using a central server to direct the software agents and hardware agents distributed among the key positions inside the network of a customer, for instance a network operator. The instant agent technology of the NetVista platform is able to immediately transfer a standard web browser into a test agent, thereby significantly reducing the time required for each of agent deploying at a target end-terminal, troubleshooting and repairing. Key features with respect to this function of our NetVista platform include:

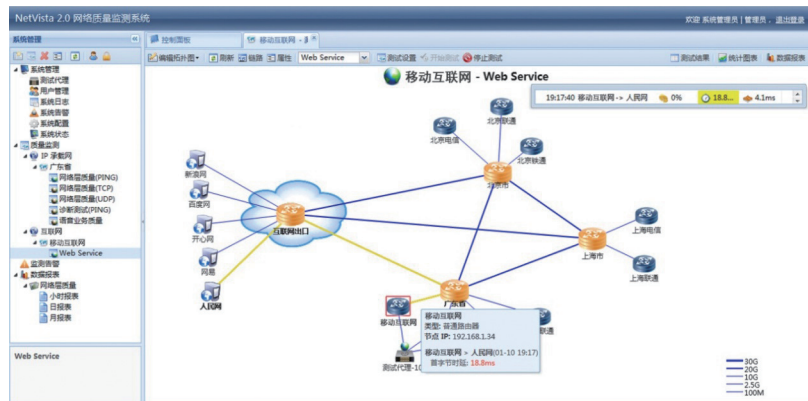
- 24x7 uninterruptedly monitoring of network performance and service quality based on different end-to-end network performance analysis;
- performing analysis for a variety of mainstream IP network protocols and services (including HTTP, FTP, SMTP, POP, DHCP, SIP, VoIP, etc.);
- automatically and periodically repeating test and automatically generating network performance trends reports under various user loads;



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- supporting the measurement of IP QoS handling mechanism based on DiffServ and TOS/COS to verify network traffic treatment used by the actual network for different QoS settings;
- remotely controlling all test agents and generating real-time status reports; and
- performing IP backbone network performance testing, which is an integration of SNMP MIB and CISCO SAA.

Below is a selected screenshot of our NetVista platform with respect to this function.



### Trade QoS System

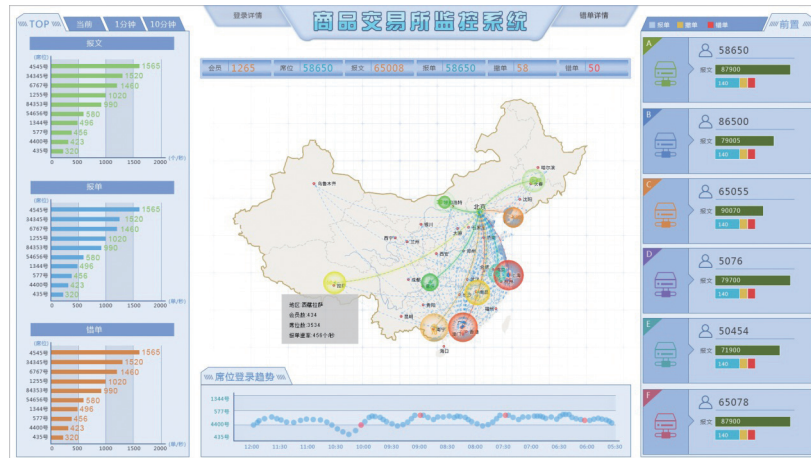
Designed and built on the basis of the NetVista platform, our Trade QoS system is designed specifically for trading platforms such as stock exchanges and commodity exchanges to manage their trading performance. According to the F&S Report, we are the only China-based APM products and services provider which provides solutions to a commodity exchange in China. Consisting of a central server, distributed network measurement agents, active customer-side measurement agents, web-based customer UI and a reporting system, the Trade QoS system monitors the transaction network and reduces network latency through dedicated protocol tracking and high-precision clock synchronization. It deploys active test agents on customers' trading systems to test the actual user experience under different network environments in the course of trading, and is able to control hundreds of concurrent test agents for concurrent tests. It also can set automatic testing procedures according to the trading content and mode. Key features of our Trade QoS system include:

- high-precision measurement of trading latency (up to nanosecond);
- quick analysis and positioning of performance deficiency, allocation of response time in different parts of network, applications and servers to clearly identify the root cause;
- automatic warning according to thresholds calculated based on daily-collected data;

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- powerful diagnostic capabilities that can identify whether the response delay results from the network structure or the poor performance of the relevant applications or servers; and
- multi-layer network failure identification, which can locate the failure through tracking the entire process of trading.

Below is a selected screenshot of our Trade QoS system.



### Delivery models

There are currently two delivery models for offering APM products and services to customers in the industry, namely on-premise delivery and SaaS-based delivery. Our Group currently focuses on the on-premise delivery model, but plans to expand and offers our customers the SaaS-based delivery model in the first half of 2017.

#### *On-premise*

On-premise solutions are generally project-based and require more customization from the customers. APM products and services through the on-premise delivery model, as the name suggests, are installed and run on computers or servers on the customer's premises which are able to generate more in-depth reports (i.e. more customizations) with a more complex graphical user interface that generally require more technical staff to operate and maintain. Large enterprises such as telecommunications operators which are very concerned about data security would generally prefer to adopt on-premise delivery model as the data leakage risks are substantially lower and they usually have more technical staff and resources.

Our customers are responsible for the security, availability and overall management of the on-premise system. Our Group as vendor provides implementation, after sales integration and support services to make sure the software it provided is bug free. It requires the customers' in-house server hardware, capital investment in software licenses, in-house IT support staff and longer integration periods. On-premise software is considered more secure, as the entire platform remains on the organization's premises. Also, it is more customizable than SaaS-based delivery model because vendors have built more comprehensive software development kits for these systems.

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### ***SaaS-based***

On the other hand, SaaS-based solutions are charged by subscription fee and are run remotely via, for example, cloud, and generally offer more standard and common features to customers. Our Group hosts the application at the data centers and our customers gain access to it via standard web browser. The service is purchased on subscription basis, and no hardware is required to be installed by our customers. As such, the SaaS-based delivery model is generally more acceptable to SMEs because the setup cost is much lower than the on-premise delivery model. Updates are applied automatically without customer intervention. SaaS-based delivery model removes the need for customers to install and run applications on their own computers or in their own data centers. Thus, it eliminates the expenses of hardware acquisition, provisioning and maintenance, as well as software licensing, installation and support. SaaS-based delivery model is cost and time-efficient as customers only need Internet and log-in details to complete the installation, but the products and services are usually more standardized and there will be less customization than the on-premise delivery model. The SaaS-based delivery model is targeted for Internet companies such as e-commerce companies, Internet video service providers, online game operators, web portal providers, Internet advertisement companies, online peer-to-peer finance platforms, municipal commercial banks' online banking platforms and distance learning platforms.

To cater to the rising demands of the SMEs, we expect to commercialize a cloud-based SaaS delivery model in the first half of 2017. This platform will allow customers to subscribe for and access our APM services via cloud based on their actual needs. In lieu of purchasing and self-maintaining a set of physical APM system at their premises, customers on our SaaS platform are able to easily integrate their applications and networks with the cloud-hosted platform through the Internet and only pay for the services and actual usage they are consuming. Similar to on-premise delivery model, our SaaS platform analyzes the performance of a target application or network by deploying intelligent agents into the customers' system. The intelligent agents on our SaaS platform are software code that customers can add to their systems quickly and conveniently. Customers may rapidly deploy the intelligent agents globally across their IT environments through our SaaS platform using customer-friendly interface such as service menu and actionable data visualization tools. Relying on our intelligent agents that are easily embeddable into applications and network, our SaaS platform is capable of offering comprehensive and real-time APM services without installation of server or platform software on the customers' terminals, which decreases the testing and maintenance costs and is expected to be attractive to customers who are cost-conscious, such as SMEs.

See "Industry Overview" for more details on the two delivery models and their markets and future outlook and "Business – Business Strategy" for more details on our plans to launch the SaaS-based delivery model.

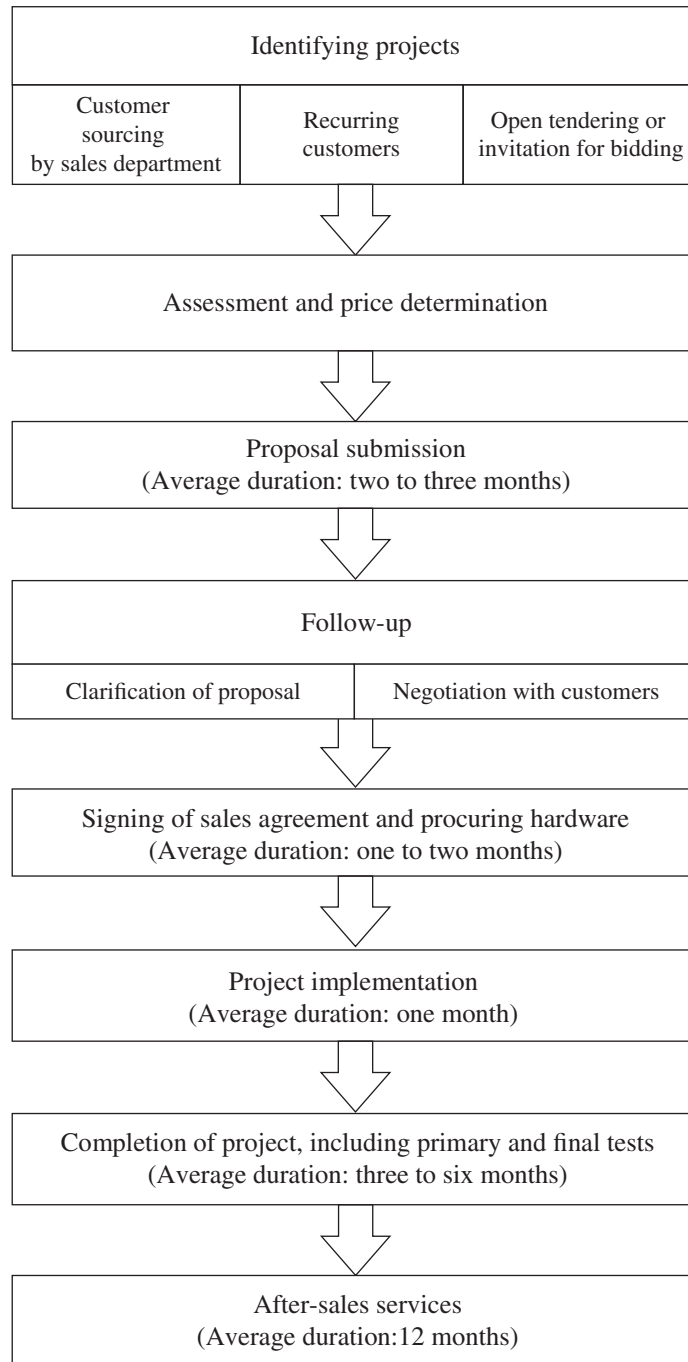
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### KEY SERVICE PROCESS

The following flow chart illustrates the typical process for our services.



We receive purchase orders primarily through (1) new customers sourced by our sales department, (2) our recurring customers, and (3) open tendering processes and customers' invitations for bidding. Our sales department markets our products and services across China and liaises with our existing and potential customers on a weekly basis to collect feedback, advice and new orders on our products and services. In addition, we assign members of our service department, who are specialists with relevant industry-specific expertise, to station at

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the premises of our major customers free of charge to provide on-site technical support. These specialists also revert to our R&D department on a weekly basis with specific requests arising from our customers or issues encountered by them. Upon receipt of reports from the sales department and technical support service department, our R&D department performs a feasibility analysis and then, based on such analysis, proceeds to develop, upgrade or expand our products.

We typically enter into standard sales agreements with our customers prior to our provision of products and services in accordance with the customers' orders. Our project durations vary case by case, ranging from three months to 12 months. We closely monitor the status of each project through in-process quality assurance inspection. See "– Quality Control" for more details. Once the products are in place, we usually send experienced technicians to our customers' premises to assist them in implementation and integration of our products into their systems, as well as in conducting preliminary and final tests. We also provide a variety of after-sales services, including software and hardware warranty and technical support. See "– After-sales Services" for more details.

## **SALES AND MARKETING**

As of May 31, 2016, our sales department consisted of 10 members who are assigned to station in Beijing, Shanghai, Guangzhou, Guangdong province, Changsha, Hunan province, Nanchang, Jiangxi province or Guiyang, Guizhou province to mainly engage in marketing activities for the promotion of our business in adjacent provinces. Eight of our sales department members focus on customers from the telecommunications industry, the other two members focus on customers from other industries. We have adopted a bonus scheme for our sales department. Each of our sales staff is generally entitled to a bonus based on such person's performance in terms of sales quota in the relevant year.

Headed by Mr. Guan, our chief sales officer, our sales department is responsible for the promotion of our products, services and our brand and maintenance of relationships with our customers, and the sales members work closely with our potential and existing customers to respond to their inquiries and demands. In cases of any complaint or specific demand from our customers, our sales department will communicate with the relevant customers to understand and resolve the issue. To further strengthen our customer relationship and better promote our products and services, we also assign specialists from our technical support service department to station at the premises of our major customers to provide on-site technical support. See "– After-sales Services – Warranty and Technical Support". Our Directors confirm that, during the Track Record Period, our Group did not experience any material complaint from our customers which materially and adversely affected our business, nor did our Group make any material compensation to our customers as a result of any complaint from our customers.

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We keep our existing and potential customers informed of our recent developments by updating our website and distributing materials in relation to our background and product portfolio. The following is a breakdown of our revenue by geographic region based on the place of incorporation of our customers for the periods indicated.

	Year ended December 31,				Five months ended May 31,			
	2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
North China <sup>(1)</sup>	12,564	30.6	12,293	23.8	5,936	31.9	12,669	48.8
East China <sup>(2)</sup>	6,891	16.8	9,474	18.4	2,844	15.3	1,057	4.1
South China <sup>(3)</sup>	13,808	33.7	18,753	36.4	7,283	39.1	6,393	24.6
Northwest China <sup>(4)</sup>	7,728	18.9	11,009	21.4	2,555	13.7	5,849	22.5
<b>Total</b>	<b>40,991</b>	<b>100.0</b>	<b>51,529</b>	<b>100.0</b>	<b>18,618</b>	<b>100.0</b>	<b>25,968</b>	<b>100.0</b>

(1) North China includes Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia Autonomous Regions, Liaoning, Jilin and Heilongjiang.

(2) East China includes Shanghai, Zhejiang, Jiangsu, Anhui, Jiangxi, Shandong and Fujian.

(3) South China includes Guangdong, Guangxi, Hainan, Henan, Hubei and Hunan.

(4) Northwest China includes Shaanxi, Gansu, Xinjiang Autonomous Regions, Ningxia Autonomous Regions, Qinghai, Chongqing, Yunnan, Guizhou, Tibet and Sichuan.

### Sales Channels

We have two sales channels which can be broadly categorized as direct sales to end customers and sales through channel partners. Based on the contract value, for 2014, 2015 and the five months ended May 31, 2016, 91.1%, 90.0% and 87.9% of our projects were implemented for state-owned enterprises, respectively.

#### *Direct Sales to End Customers*

We primarily conduct direct sales of our APM products and services to our end customers. In 2014, 2015 and the five months ended May 31, 2016, direct sales represented 91.1%, 91.0% and 84.0% of our total revenue for each period, respectively, and the total contract value generated from direct sales represented to approximately 92.6%, 90.1% and 89.9% of our total contract value for each period, respectively. Our direct sales can be further broken down into those that are conducted through open tendering processes and those which are not.

#### *Open Tendering Process*

From time to time, we are involved in open tendering processes, particularly where customers are public bodies or state-owned enterprises.

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We may receive tender or quotation invitations from our customers or otherwise participate in open tendering process. We generally become aware of open tendering invitations by daily review of publicly available information such as industry websites and customers' websites. In the event that we decide to submit a tender for the project, our sales department and technical support service department will work together to prepare for the tender submission in accordance with the requirements and specifications set out in the tender documents. The tender submission documents must be approved by our management team before submission. If we are awarded the project in the open tendering process, a formal notification letter notifying the acceptance of tender will be issued by our customer, following which we will enter into a sales agreement with the customer.

In 2014, 2015 and the five months ended May 31, 2016, sales through open tendering processes represented 34.0%, 21.3% and 18.5% of our total revenue for each period. In 2014, 2015 and the five months ended May 31, 2016, the total contract value generated from engagements obtained through the open tendering processes for either new projects or upgrades and expansion of our previous projects amounted to approximately RMB14.7 million, RMB16.2 million and RMB7.5 million, representing approximately 30.8%, 22.0% and 28.6% of our total contract value for each period, respectively. Our success rate of open tendering was approximately 55.3%, 51.1% and 50.0% for 2014, 2015 and the five months ended May 31, 2016, respectively. The following table sets forth details of our successful tenders during the Track Record Period.

	<b>Year ended December 31,</b>		<b>Five months</b>
	<b>2014</b>	<b>2015</b>	<b>ended May 31,</b>
			<b>2016</b>
Number of tenderings participated	47	45	20
Successful tenders	26	23	10
Success rate	55.3%	51.1%	50.0%

### *Direct sales without the open tendering processes*

We usually do not go through the open tendering process when we sell our products and services directly to privately-held companies or offer our upgrades or expansion services for our products and services provided previously to state-owned enterprises through the open tendering processes. We enter into sales agreements directly with these end customers. In 2014, 2015 and the five months ended May 31, 2016, direct sales without the open tendering processes represented 57.1%, 69.7% and 65.5% of our total revenue for each period, respectively, and the total contract value generated from direct sales without the open tendering processes represented to approximately 61.8%, 68.1% and 61.3% of our total contract value for each period, respectively.

### *Sales through Channel Partners*

During the Track Record Period, we also sold products and services through our channel partners, all of whom are independent third parties. One of our channel partners is a related party. For details of our transactions with the related parties, see "Financial Information –



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Related Party Transaction". In 2014, 2015 and the five months ended May 31, 2016, sales to our channel partners represented 8.9%, 9.0% and 16.0% of our total revenue for each period, respectively, and the total contract value generated from channel partners represented approximately 7.4%, 9.9% and 10.1% of our total contract value for each period, respectively. Our channel partners are direct buyers of our products and not our agents. Once products are sold and delivered to the venue as designated by the channel partner, the risks and benefits of such products are passed to that channel partner. The revenue recognition policy with regard to such channel partners remains the same as such we would adopt on our other customers. In general, our channel partners are technology companies that would resell our products directly to their end customers as per such end customers' prior orders. The channel partners are generally responsible for the regular maintenance of the products resold to their end customers, while we have the discretion to conduct on-site visits and provide free technical support in case that the end customers raise certain requests. Since the risk and benefits of our products are passed to our channel partners once they have been sold and delivered, we generally do not regulate the price they would charge or impose geographic restrictions when reselling such products to others. The payment terms of the sales agreements we entered into with our channel partners are generally more stringent to reduce our credit risk while the other terms are substantially similar to those we provide to other customers. We believe it is customary industry practice in China to engage channel partners to promote the sales of our products. By working with our channel partners, we have been able to attract more customers for our APM products and services, especially in geographically remote regions where we have not established our presence. During the Track Record Period, there were no material disputes between channel partners and us, nor did we experience any return of products sold by our channel partners. Below is a table which sets out the movements in the number of our channel partners during the Track Record Period, which is relatively stable during such period.

	Year ended December 31,		Five months ended
	2014	2015	May 31, 2016
Number of channel partners at the beginning of the period	4	4	6
New channel partners during the period	3	6	–
Number of channel partners which completed all of the projects with us during the period	<u>3</u>	<u>4</u>	<u>2</u>
Channel partners at the end of the period	<u>4</u>	<u>6</u>	<u>4</u>

### Sales Model

We generally rely on build-to-order model to develop our business. With respect to our relationship with long-term customers, our sales department and technical support service department trace customers' needs and report to our R&D department on a weekly basis. Our R&D department then analyzes the feasibility of such needs and proceeds to develop, upgrade or expand our products accordingly. After customers confirm their acceptance of the completed



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products and enter into a sales agreement with us, we procure the required hardware components, deliver the products to our customers' premises and help them with installation and integration into their systems. Depending on customers' requests, we also provide after-sales services such as maintenance and on-site technical support. See "– After-sales Services". Based on our standard sales agreement, our long-term customers that engaged us for system integration services and software development services are normally required to settle 70% of our total fee for each project after delivery of the product to the customer. Another 20% is required to be paid upon our successful passing in the customer's preliminary test, and the remaining balance is usually required to be paid upon our passing in the final test. Our customers from technical services are generally required to settle the price upon completion of our services. Our customers from sales of standard hardware and software are typically required to pay the price upon receipt of our products.

With respect to new and walk-in customers approaching us through our marketing efforts, word of mouth and trade shows, members from our sales department first arrange a consultation with such customers in order to familiarize ourselves with: (1) their needs and specifications, (2) the proposed sites for installation, (3) their budgets, (4) their existing systems, and (5) their requirements and preference. We then provide our customers with a design proposal taking into account the aforesaid factors. Upon our customers' request, we may add into or remove certain features from the proposal. After the customers accept our proposal and quotation, they enter into a sales agreement with us, pursuant to which we proceed to product development and hardware procurement in accordance with the proposal. The credit terms we offer to our new and walk-in customers are generally more stringent than those to our long-term customers. We are usually responsible for the delivery of the products to the customers' premises for installation.

### **Product Upgrade and Expansion**

Updates of our products are released as part of our continuous effort to enhance our services and our competitiveness within the APM market. In particular, we design and promote upgraded versions of our APM products whenever there is a significant technology innovation in the APM industry or a general change in customer demand. We also expand the products integrated with our customers' particular system or network environment into strengthened capacity or new features in response to our customers' specific needs. Our major upgrade or expansion patches are offered, distributed and implemented to our customers through our on-site service specialists upon customer requests. Upgrade and expansion fees are separately charged on an order basis, taking into account the customers' specific needs, among other factors. See "– Sales and Marketing – Pricing Policy" for more details on our pricing policy.

### **Pricing Policy**

Our products and services are offered on a project basis and we generally do not enter into long-term contracts with our customers as most of our products and services are tailored solutions. Our price for products and services is generally determined on the basis of cost plus margin for each project, taking into consideration, among other factors, (1) features and

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functions of the products, (2) the costs to carry out the project with reference to the estimated time to be spent and the scale of the project, such as the number of employees that will be involved in the project and the cost of hardware components required for the project, (3) the prevailing market prices for similar products offered in the market, (4) the potential future business opportunities with the customers, (5) our relationship with the customer, (6) our business strategy, and (7) whether the products are customized. As we consider a number of factors, our prices may vary for the specific type of products or services we render, depending on the particular project. We periodically review and adjust our prices based on the foregoing factors. The following table sets forth the average price of our contracts by service type for the periods indicated.

	Year ended December 31,		Five months ended
	2014	2015	May 31, 2016
	<i>(RMB'000)</i>		
System integration services	899	1,174	1,343
Software development services	658	910	210
Technical services	445	736	600
Sales of standard hardware and software	184	919	159

The average contract price of our sales of standard hardware and software spiked in 2015 as one of our customers placed a significant value of hardware order in 2015. The fluctuation of our contract price during the Track Record Period was primarily due to (1) the complexity of the customized product, (2) the customer's budget, and (3) the competing prices offered by our competitors in the market.

### Billing Management

Our business department reviews, on a weekly basis, the difference between the budgeted cost and actual cost of each project through the project stage at the time of review, in accordance with the project schedule set forth in each project contract. Our project managers will file a budget form if any difference between the budgeted cost and actual cost of our projects occurs, according to which our finance department will make necessary adjustment to revenue recognition of the relevant project. Any significant differences must be acknowledged by our senior management before we recognize the relevant revenue. Our senior management will then closely follow up with such differences. During the Track Record Period, we did not experience any significant differences between the budgeted cost and actual cost of our projects. As to our projects contracts, the aggregate amount of amount due from customers and trade receivable represents the total outstanding balance that our customers owe us. Prior to reaching billing milestones, we initially record revenue and corresponding amount due from customers based on the working progress. Once the billing milestones within the contracts have been reached, we will issue invoice and transfer the relevant balance from amount due from contract customers to trade receivable. Payment from our customers will be used to settle the trade receivable.

In terms of our periodic billing management, our customer issues a form of acceptance, which, depending on the contract, is based on project milestones or is obtained periodically, that shows the progress of our ongoing projects in the current period. Once a form of

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acceptance is obtained, our finance department issues invoice to our customer based on the pre-agreed amount under such contracts. Based on such invoice, our customer pays the appropriate amount to us. See “Financial Information – Critical Accounting Policies and Estimates’ and “Financial Information – Gross Amounts Due from/to Contract Customers” for further details.

### **Our Backlog and New Contract Value**

Backlog represents our estimate of the contract value of the projects that we are engaged for and remain to be completed as of a certain date from signed and legally-binding contracts, net of estimated VAT. New contract value represents the aggregate value of the contracts that we entered into during a specified period. The contract value of a project represents the amount that we expect to receive under the terms of the contract assuming the contract is performed in accordance with its terms. To the extent the work under these contracts advances, amounts are progressively removed from backlog. Backlog is not an audited measure defined by HKFRSs and our methodology in determining backlog may not be comparable to the methodology used by other companies.

Backlog might not be indicative of our future operating results and difficulties in contract performance could lead to inaccuracies with respect to the ultimate income from uncompleted contracts. The termination or modification of any one or more sizeable contracts or the addition of other contracts could have a substantial and immediate effect on the amount of our backlog and the revenue and profits we may earn from such contracts, and could have a material adverse effect on our profitability and financial condition. As a result, our backlog information presented in this document should not be relied on as an indicator of our future earnings.

The following table sets forth, net of estimated VAT, our backlog, new contract value and recognized revenue for each of the periods indicated. In a given period, our backlog at the beginning of the period plus our contract value for new contracts entered into during the period less our recognized revenue for the period equals our backlog at the end of the period.

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	Year ended December 31,				Five months ended May 31,																			
	2014				2016																			
	Backlog at the beginning of the year	Recognized revenue for the year <sup>(1)</sup>	Backlog at the end of the year	Contract value for new contracts entered into during the year <sup>(1)</sup>	Backlog at the beginning of the period	Recognized revenue for the period <sup>(1)</sup>	Backlog at the end of the period	Contract value for new contracts entered into during the period <sup>(1)</sup>																
RMB'000	% RMB'000	% RMB'000	% RMB'000	% RMB'000	% RMB'000	% RMB'000	% RMB'000																	
System integration services	9,173	65.5	23,683	56.2	24,912	60.8	7,943	52.4	7,943	52.4	7,943	52.4	31,050	49.7	26,740	51.9	12,253	46.8	15,034	74.3	20,079	77.3	7,209	35.3
Software development services	2,708	19.4	6,975	16.6	5,852	14.3	3,831	25.3	5,722	9.1	6,994	13.6	2,559	9.8	2,559	9.8	2,559	9.8	941	4.6	2,559	9.9	941	4.6
Technical services	1,399	10.0	9,961	23.6	9,386	22.9	1,974	13.0	14,877	23.8	15,080	29.3	1,771	6.8	1,771	6.8	1,771	6.8	2,969	14.7	2,204	8.5	2,535	12.4
Sales of standard hardware and software	712	5.1	1,536	3.6	841	2.0	1,408	9.3	10,881	17.4	2,715	5.2	9,574	36.6	9,574	36.6	9,574	36.6	1,295	6.4	1,126	4.3	9,743	47.7
<b>Total</b>	<b>13,992</b>	<b>100.0</b>	<b>42,155</b>	<b>100.0</b>	<b>40,991</b>	<b>100.0</b>	<b>15,156</b>	<b>100.0</b>	<b>62,530</b>	<b>100.0</b>	<b>51,529</b>	<b>100.0</b>	<b>26,157</b>	<b>100.0</b>	<b>26,157</b>	<b>100.0</b>	<b>26,157</b>	<b>100.0</b>	<b>20,239</b>	<b>100.0</b>	<b>25,968</b>	<b>100.0</b>	<b>20,428<sup>(2)</sup></b>	<b>100.0</b>

(1) Contract value for new contracts entered into during the year/period and recognized revenue for the year/period are net of estimated VAT, including any adjustments for prior periods.

(2) It is expected that approximately RMB16.6 million of the backlog as of ended May 31, 2016 will be recognized as revenue by the end of 2016 and the remainder will be recognized as revenue by the end of 2017.

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In 2014, we entered into 11 contracts amounted to approximately RMB18.5 million with a contract value more than RMB1.0 million, including (1) nine for system integration services, which in aggregate amounted to approximately RMB14.0 million, (2) one for software development services, which amounted to approximately RMB2.1 million, and (3) one for technical services, which amounted to approximately RMB2.4 million. In 2015, we entered into 21 contracts amounted to approximately RMB42.6 million with a contract value more than RMB1.0 million, including (1) 13 for system integration services, which in aggregate amounted to approximately RMB22.3 million, (2) two for software development services, which in aggregate amounted to approximately RMB2.7 million, (3) five for technical services, which in aggregate amounted to approximately RMB8.3 million, and (4) one for sales of standard hardware and software, which amounted to approximately RMB9.3 million. During the five months ended May 31, 2016, we entered into eight contracts amounted to approximately RMB13.2 million with a contract value more than RMB1.0 million, including (1) seven for system integration services, which in aggregate amounted to approximately RMB11.7 million, and (2) one for technical services, which amounted to approximately RMB1.5 million.

As of December 31, 2014 and 2015, the backlog of our system integration services contributed to the largest portion of the backlog, amounting to approximately RMB7.9 million and RMB12.3 million, respectively, and representing 52.4% and 46.8% of the total backlog, respectively. As of May 31, 2016, the backlog of our sales of standard hardware and software system contributed to the largest portion of the backlog, amounting to approximately RMB9.5 million and representing 47.7% of the total backlog.

### Our Completed Projects

The following is a summary of our top five completed projects in terms of total contract value in 2014.

Customer's Business	Location	Type of Project	Total Contract	Contract Date	Project
			Value		Completion
			(RMB'000)		
Telecommunications	Chongqing	System integration	1,500	July 2013	July 2014
Telecommunications	Liaoning province	System integration	1,315	October 2013	November 2014
Telecommunications	Xinjiang Autonomous Region	System integration	820	December 2013	July 2014
Cable television	Guangdong province	System integration	650	August 2013	December 2014
Telecommunications	Beijing	System integration	633	March 2013	May 2014

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The following is a summary of our top five completed projects in terms of total contract value in 2015.

Customer's Business	Location	Type of Project	Total Contract Value (RMB'000)	Contract Date	Project Completion Date
Telecommunications	Guizhou province	System integration	3,500	October 2013	July 2015
Telecommunications	Henan province	System integration	2,697	July 2013	August 2015
Telecommunications	Guangdong province	System integration	2,416	September 2014	July 2015
Telecommunications	Inner Mongolia Autonomous Region	Software development	2,303	December 2014	July 2015
Telecommunications	Anhui province	System integration	1,998	December 2013	June 2015

The following is a summary of our top five completed projects in terms of total contract value in the five months ended May 31, 2016.

Customer's Business	Location	Type of Project	Total Contract Value (RMB'000)	Contract Date	Project Completion Date
Telecommunications	Shanghai	Technical services	2,639	January 2015	April 2016
Telecommunications	Yunnan province	System integration	2,000	November 2014	May 2016
Telecommunications	Liaoning province	System integration	1,884	April 2015	April 2016
Telecommunications	Guangdong province	Technical services	1,829	January 2015	February 2016
Technologies	Hainan province	System integration	1,572	March 2015	April 2016

## QUALITY CONTROL

We place significant emphasis on quality control. In order to maintain high product quality, we have established and implemented a sophisticated quality control system which is in line with the relevant international standards. We have obtained ISO 9001:2008 in recognition of our quality management system. In addition, we maintain in-process quality assurance inspection at various control points from product planning up to product installation to help ensure that our products shall meet our customers' expectations and specifications. Upon the completion of the installation work, we usually run a test to check the performance of the products and to ensure the products and services are up to the standards as agreed with our customers.

We keep ourselves abreast with the latest APM products and technologies and constantly monitor and evaluate our current and potential suppliers' ability to meet our product quality standards, thus ensuring that the products we install and the services we provide meet the requirements of our customers. In general, our suppliers provide a warranty period of 42 months for the hardware they supply, and we can demand for returns if the products they supplied are found to be defective upon arrival.

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To optimize the performance of our products, we constantly collect feedback from customers. Our sales department and technical support service department are responsible for tracing customers' needs and report to our R&D department for analysis and fine-tuning purposes. Upon customers' requests, we will also provide installation service and maintenance service to ensure the performance quality of our products. During the Track Record Period, we did not experience any material product liability claim from our customers arising from or relating to the use of our products.

### **AFTER-SALES SERVICES**

To supplement our APM business and cultivate customer loyalty, we provide a variety of after-sales services, including software and hardware warranty and technical support in relation to the implementation of our APM products and services.

#### **Warranty and Technical Support**

Our warranty period is typically one year for our software and up to three years for our hardware, commencing upon the completion of the projects, during which period our technical support service department provides general problem solving and technical support services to our customers in relation to the deployment of our products free of charge. Our technical support service department is available through e-mail and customer hotline. After we receive customer enquiries, we categorize such enquiries and assign relevant service specialists to resolve the issues. For our major customers, we also assign service specialists with relevant industry-specific expertise to station at their premises free of charge to provide on-site technical support, such as training sessions for the customers' staff to better implement our products, real-time responses to the customers' inquiries on troubleshooting, maintenance and upgrades of our products, and consultation on general technological matters such as the customers' network environment. As of May 31, 2016, our technical support service department consisted of 46 service specialists with an average work experience of approximately six years in the Internet and software industry located in 25 provinces and regions in China.

We consider customer service as our key brand building tool and critical source for developing and upgrading our products and services. We are committed to providing quality service to our customers. We believe that our ability to deliver high-quality products, customized APM solutions and satisfactory after-sales services to our existing customers will result in better brand loyalty, which may increase subsequent purchases of upgraded or enhanced versions of our products and offer cross-selling opportunities for our products and services in the pipeline. We also believe that our after-sales services will lead to a further spread of our reputation through word of mouth. In addition, our hardware suppliers typically grant us a warranty period of 42 months, which is longer than the maximum warranty period of 36 months that we generally provide on our hardware products. As a result, we generally do not incur any costs related to our warranty. There were no material claims for any liquidated damages against us in relation to warranty provided by us during the Track Record Period.



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### OUR CUSTOMERS

We position ourselves as a provider of high-quality APM products and services. Our services address the needs of customers ranging from small companies to large corporations, and our scope of service varies from project to project depending on our customers' needs. Our customers include primarily state-owned and privately-run telecommunications operators, cable television providers, network equipment manufacturers, electric utilities companies and a commodity exchange in China.

We serve primarily a number of top customers with whom we have developed long-term and stable business relationships. We also accept walk-in customers who purchase or subscribe for our standard products and services. The total number of our customers was 77, 101 and 115 as of December 31, 2014, 2015 and May 31, 2016, respectively. Following the Track Record Period and up to September 30, 2016, we have obtained 17 new customers, including two provincial subsidiaries of the China's Largest Telecom Group. The following table sets out our revenue generated from the provision of APM products and services by industry sectors during the Track Record Period.

	Year ended December 31,				Five months ended May 31,			
	2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)							
Telecommunications								
operators	35,918	87.6	42,699	82.9	16,547	88.9	21,062	81.1
Cable television providers	725	1.8	1,681	3.2	295	1.6	725	2.8
Commodity exchange and others	4,348	10.6	7,149	13.9	1,776	9.5	4,181	16.1
<b>Total</b>	<b>40,991</b>	<b>100.0</b>	<b>51,529</b>	<b>100.0</b>	<b>18,618</b>	<b>100.0</b>	<b>25,968</b>	<b>100.0</b>

Telecommunications operators, including the largest state-owned telecommunications operators in China, are the main subscribers of our APM products and services. Our largest customers include the independently-operated provincial subsidiaries of the China's Largest Telecom Group. During the Track Record Period, we entered into sales agreements with such provincial subsidiaries separately and individually, but our revenue derived from the China's Largest Telecom Group as a whole, constituted a significant proportion of our total revenue, accounting for approximately 82.2%, 72.6% and 71.4% of our total revenue for 2014, 2015 and the five months ended May 31, 2016, respectively, which reflects the fact that the China's Largest Telecom Group has been awarding projects to us. See "– Our Relationship with the China's Largest Telecom Group" for details. During the Track Record Period, our other main customers include provincial cable television providers and a commodity exchange. We have maintained business relationships with our major customers for two to eight years.

For 2014, 2015 and the five months ended May 31, 2016, our five largest customers, consisting of certain provincial subsidiaries of the China's Largest Telecom Group and a commodity exchange, in aggregate accounted for approximately 51.8%, 39.5% and 51.4% of

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our revenue, respectively, counting each provincial subsidiary of the China’s Largest Telecom Group on standalone basis. Our single largest customer for 2014, 2015 and the five months ended May 31, 2016, the Guangdong subsidiary of the China’s Largest Telecom Group, accounted for approximately 26.5%, 17.0% and 12.1% of our revenue during the same periods, respectively, counting each provincial subsidiary of the China’s Largest Telecom Group on standalone basis. Below is a table setting out our five largest customers for the Track Record Period, counting each provincial subsidiary of the China’s Largest Telecom Group on standalone basis.

**For the year ended December 31, 2014**

	Revenue <i>RMB'000</i>	Percentage of revenue attributable to the total revenue	Length of business relationship with our Group as of the Latest Practicable Date <i>(year)</i>	Background	Credit term <i>(days)</i>
Customer A	10,881	26.5	8	Guangdong provincial subsidiary of the China’s Largest Telecom Group	30
Customer B	2,942	7.2	4	Heilongjiang provincial subsidiary of the China’s Largest Telecom Group	30
Customer C	2,598	6.3	3	Anhui provincial subsidiary of the China’s Largest Telecom Group	30
Customer D	2,541	6.2	6	Beijing municipal city subsidiary of the China’s Largest Telecom Group	30
Customer E	2,276	5.6	4	Guizhou provincial subsidiary of the China’s Largest Telecom Group	30
<b>Total</b>	<u>21,238</u>	<u>51.8</u>			

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For the year ended December 31, 2015

	Revenue <i>RMB'000</i>	Percentage of revenue attributable to the total revenue	Length of business relationship with our Group as of the Latest Practicable Date <i>(year)</i>	Background	Credit term <i>(days)</i>
Customer A	8,741	17.0	8	Guangdong provincial subsidiary of the China's Largest Telecom Group	30
Customer F	3,181	6.2	5	Shanghai municipal city subsidiary of the China's Largest Telecom Group	30
Customer G	3,139	6.1	3	Anhui provincial subsidiary of the China's Largest Telecom Group	30
Customer H	3,124	6.1	3	Henan provincial subsidiary of the China's Largest Telecom Group	30
Customer I	<u>2,177</u>	<u>4.2</u>	6	Commodity exchange	10
<b>Total</b>	<u><u>20,362</u></u>	<u><u>39.7</u></u>			

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For the five months ended May 31, 2016

	Revenue <i>RMB'000</i>	Percentage of revenue attributable to the total revenue	Length of business relationship with our Group as of the Latest Practicable Date <i>(year)</i>	Background	Credit term <i>(days)</i>
Customer A	3,134	12.1	8	Guangdong provincial subsidiary of the China's Largest Telecom Group	30
Customer J	2,716	10.5	6	Beijing municipal city subsidiary of the China's Largest Telecom Group	30
Customer G	2,509	9.7	6	System integrator and our channel partner	30
Customer B	2,496	9.6	3	Liaoning provincial subsidiary of the China's Largest Telecom Group	30
Customer E	2,489	9.6	4	Guizhou provincial subsidiary of the China's Largest Telecom Group	30
<b>Total</b>	<u>13,344</u>	<u>51.4</u>			

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Counting revenue derived from the China's Largest Telecom Group on a group basis, during the same periods, our five largest customers in aggregate accounted for approximately 92.5%, 89.9% and 94.4% of our revenue, respectively. Below is a table setting out our five largest customers for the Track Record Period, counting revenue derived from the China's Largest Telecom Group on a group basis.

**For the year ended December 31, 2014**

	<b>Revenue</b> <i>RMB'000</i>	<b>Percentage of revenue attributable to the total revenue</b>	<b>Length of business relationship with our Group as of the Latest Practicable Date</b> <i>(year)</i>	<b>Background</b>	<b>Credit term</b> <i>(days)</i>
China's Largest Telecom Group	33,703	82.2	9	The largest state-owned telecommunications operator in China in terms of total revenue and number of users in 2015	30
Customer K	1,757	4.3	4	The third largest state-owned telecommunications operator in China in terms of total revenue in 2015	25 business days
Customer L	1,085	2.7	2	System integrator and our channel partner	30
Customer M	729	1.8	5	System integrator and our channel partner	30
Customer O	632	1.5	2	System integrator and our channel partner	5
<b>Total</b>	<u>37,907</u>	<u>92.5</u>			

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For the year ended December 31, 2015

	Revenue <i>RMB'000</i>	Percentage of revenue attributable to the total revenue	Length of business relationship with our Group as of the Latest Practicable Date <i>(year)</i>	Background	Credit term <i>(days)</i>
China's Largest Telecom Group	37,404	72.6	9	The largest state-owned telecommunications operator in China in terms of total revenue and number of users in 2015	30
Customer K	3,470	6.7	4	The third largest state-owned telecommunications operator in China in terms of total revenue in 2015	25 business days
Customer I	2,177	4.2	6	Commodity exchange	10 business days
Customer P	1,825	3.5	3	The second largest state-owned telecommunications operator in China in terms of total revenue in 2015	60
Customer Q	1,443	2.8	6	System integrator and our channel partner	3 business days
<b>Total</b>	<u>46,319</u>	<u>89.9</u>			

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For the five months ended May 31, 2016

	Revenue <i>RMB'000</i>	Percentage of revenue attributable to the total revenue	Length of business relationship with our Group as of the Latest Practicable Date <i>(year)</i>	Background	Credit term <i>(days)</i>
China's Largest Telecom Group	18,540	71.4	9	The largest state-owned telecommunications operator in China in terms of total revenue and number of users in 2015	30
Customer G	2,509	9.7	6	System integrator and our channel partner	10 business days
Customer K	1,755	6.8	4	The third largest state-owned telecommunications operator in terms of total revenue in 2015	25 business days
Customer Q	943	3.6	6	System integrator and our channel partner	3 business days
Customer P	767	3.0	3	The second largest state-owned telecommunications operator in terms of total revenue in 2015	60
<b>Total</b>	<u>24,514</u>	<u>94.4</u>			

Our Directors confirm that our Group did not have any material dispute with our customers and none of our customers was our major supplier during the Track Record Period. During the Track Record Period, our Group did not experience any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties.



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None of our Directors, their close associates or any Shareholder (who or which, to the knowledge of our Directors, owned more than 5% of the issued share capital of our Company) had any interest in any of our five largest customers during the Track Record Period. Our Directors further confirmed that they are not aware of any material financial difficulties experienced by any of our major customers that may materially affect our Group's business.

### Principal Terms of Sales Agreements

From time to time, we receive requests for quotation and invitations to tender from our customers and are engaged to provide the products and services based on our customers' needs. Our engagements with our customers are on a project basis and are generally non-recurring in nature. We do not enter into long-term agreements with any of our customers and generally only enter into sales agreements on a project basis, the duration of which is generally up to one year. Set forth below are certain key terms of our standard sales agreements. The terms of our actual sales agreement with our customers may vary based on our bargaining power.

- *Duration.* Our project durations vary case by case, typically ranging from three months to 12 months.
- *Products and services.* Our sales agreements specify the products and services we should provide to our customers. For example, our agreements relating to the provision of system integration services list the contemplated functionalities of the system, required types of hardware components and number of each hardware component.
- *Pricing.* We itemize the price of each type of products and services we provide to our customers under the sales agreements, adjustable in case of a substantial change in technical requirements. The total contract price typically covers the delivery fee, installment fee and after-sales maintenance fee, in addition to the regular product development fees. For more details, see “– Sales and Marketing – Pricing Policy”.
- *Payment terms.* Our customers from system integration services and software development services are normally required to settle the total contract price in installments, typically including (1) payment after our delivery of the products to the customers, (2) payment after the completion and passing of the preliminary test, and (3) payment after the completion and passing of the final test. The delivery of products and the completion of tests are evidenced by our receipt of forms of acceptance issued by our customers. Generally, we bill our customers and issue invoice to them after we receive the forms of acceptance. In cases where we are engaged for technical services, we typically require settlement upon completion of our services. Our customers from sales of standard hardware and software are typically required to pay the price within 30 to 60 business days upon receipt of our products. The payment method is generally by wire transfer. During the Track Record Period, all revenue from our products and services was denominated in RMB.

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- *Delivery of service.* We are responsible for the delivery of our products to the destination designated by the customers.
- *Inspection and acceptance.* Our customers are required to complete the inspection and other procedures for acceptance of our products within certain days upon our delivery, and are entitled to reject the delivery of any substandard or defective products. Following their acceptance, we send experienced technicians to our customers' premises to assist them in installation and integration of the products into their systems, as well as in conducting preliminary tests and final tests.
- *Termination.* Our customers may claim liquidated damages and terminate the agreements if we fail to deliver the products or provide the services before the deadlines stipulated thereunder. Our customers are also entitled to claim damages with respect to losses caused by equipment damage or data loss from our defective products or misconduct.
- *Warranty.* We typically provide our customers a warranty period of 12 months for software products and 12 to 36 months for hardware products.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material penalty or liability for any late delivery of or material defect in our products and services, nor were we involved in any material customer disputes relating to the quality of our products and services.

### **Our Relationship with the China's Largest Telecom Group**

We have established a long-term and stable relationship with the China's Largest Telecom Group for almost 10 years and we have not experienced any material dispute with any of its provincial subsidiaries. As of May 31, 2016, we had provided APM products and services to the provincial subsidiaries of the China's Largest Telecom Group located across 28 provinces and regions in China. For 2014, 2015 and the five months ended May 31, 2016, our revenue derived from the provincial subsidiaries of the China's Largest Telecom Group in aggregate amounted to approximately RMB33.7 million, RMB37.4 million and RMB18.5 million, representing approximately 82.2%, 72.6% and 71.4% of our Group's total revenue during the same periods, respectively.

### ***Background of the China's Largest Telecom Group***

The China's Largest Telecom Group is a leading telecommunications services provider in China and has the world's largest mobile network and the world's largest mobile customer base. The China's Largest Telecom Group operates in 31 provinces, autonomous regions and directly-administered municipalities throughout China and Hong Kong. The China's Largest Telecom Group is listed on the New York Stock Exchange and the Stock Exchange.

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### *Contractual arrangements with the China's Largest Telecom Group*

During the Track Record Period, all of the transactions between the China's Largest Telecom Group and our Group were conducted on normal commercial terms and on arm's length basis. In line with our sales practice, we do not enter into long-term agreements with any of our customers and generally only enter into sales agreements on a project basis, the duration of which is generally up to one year. As with our other customers, we usually grant credit terms of approximately 30 to 60 business days to provincial subsidiaries of the China's Largest Telecom Group. We designate different service specialists to cater to the different demands of the provincial subsidiaries.

### *Independent operation of each provincial subsidiary of the China's Largest Telecom Group*

Each of the provincial subsidiaries of the China's Largest Telecom Group is operated independently on the following basis:

- *Separate entity:* The China's Largest Telecom Group sets up a separate legal entity for each of its operation in each key province or region in the PRC. Each of these provincial subsidiaries has its own management team with its own decision-making authority. To our Directors' knowledge, some of the management team of these provincial subsidiaries are appointed by the headquarters but as further detailed below, the influence from the headquarters is minimal.
- *Open procurement policy:* Our business with each of the provincial subsidiaries is conducted on standalone basis under sales agreements entered into solely between each provincial subsidiary and us. We win our contracts with them through the open tendering processes organized separately and independently by each of the provincial subsidiaries. As part of a stated-owned enterprise, it is a requirement for each provincial subsidiary to follow the open tendering procedures stipulated under the relevant laws and regulations in the PRC to ensure an open and fair bidding process is held without any favoritism or interference from other third parties. All of the criteria for a successful bidding is stated in its tendering advertisements posted online. We may also enter into sales agreements directly with them if they have further demands such as upgrades or expansions of our products and services after using our products and services. Such direct sales are regulated by their internal guidelines which are made available to its suppliers and require the relevant management personnel to report on the reasoning why the open tendering process is not adopted and justify the pricing of the direct sales. Such procurement policy ensures that each procurement is made in such a manner which is open and fair to all of its suppliers regardless of the suppliers' relationship with the headquarters of the China's Largest Telecom Group or its other subsidiaries.
- *Business relationship with each provincial subsidiary:* We maintain longer business relationship with certain provincial subsidiary than the others and we dedicate different sales department to cater to the needs of each provincial subsidiary. We had

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minimal transactions with certain provincial subsidiaries but yet the Guangdong provincial subsidiary was our largest customer during the Track Record Period. The fact that we fail to secure contracts with some provincial subsidiaries do not imply we could not maintain a stable relationship with the other provincial subsidiaries.

- *Influence from the headquarters:* The headquarters generally provide high-level strategic directions and overall budget to the provincial subsidiaries annually, but do not manage the day-to-day operations or the details of the procurement process at the provincial level. As such, the influence from the headquarters on the operation of each provincial subsidiary is minimal. In addition, it is a legal requirement for each provincial subsidiary to follow the open tendering procedures stipulated under the relevant laws and regulations in the PRC. Therefore, the procurement process of each provincial subsidiary has to be held openly and fairly in accordance with the applicable laws and independent from the headquarters. Each provincial subsidiary has its own autonomy and flexibility to utilize its budget in the manner as its business development demands as long as they follow the overall strategic directions stipulated by the headquarters each year. Our Directors confirm that there has been no interruptions of or changes in our relationship with each provincial subsidiary due to requests from headquarters, and believe that it is very unlikely that any decisions from the headquarters may affect our business relationship with the provincial subsidiaries going forward.

### ***Mutual and complementary relationship between the China's Largest Telecom Group and our Group***

Our Directors are of the view that our complementary relationship with the China's Largest Telecom Group as a whole is mainly due to the following reasons:

- *Overview on the on-premise and SaaS-based APM markets in China:* The APM industry in China covers on-premise and SaaS-based delivery models and our Group currently focuses on on-premise APM products but plans to introduce SaaS-based APM products and services in the first half of 2017. On-premise APM products and services are installed and run on computers or servers on the premises which are able to generate more in-depth reports with a more complex graphical user interface that require more technical staff to operate, while SaaS-based APM products and services are run remotely via, for example, cloud, and are able to generate standard reports to customers with a simpler graphical user interface that require fewer technical staff to operate. Large enterprises, especially those concern more about data security or have more requirements on customization and tailor-made solutions such as telecommunications operators, prefer on-premise APM products over SaaS-based APM products because such enterprises are usually subject to legal requirements to keep all the data and information in the data center, rather than storing the data remotely which might expose them to leakage risks. The overall APM market in China reached RMB672.3 million in 2015 and is relatively concentrated with the top three players having an aggregate market share of 45.9%

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in terms of contract value in 2015 where our Group ranked third with a market share of 10.4%. In 2015, the SaaS-based APM segment accounted for approximately 56.6% of the whole APM market, while the on-premise APM segment accounted for approximately 43.4%. Similarly, the on-premise APM market is very concentrated due to high entry barriers with 56.8% of the market shared by the top three players where our Group ranked first with a market share of 24.0% in terms of contract value. The SaaS-based APM market is also very concentrated with 56.0% of the market dominated by the top three players. The major customers of on-premise APM services in China are from telecommunications and financial industries such as telecommunication operators, banks and futures exchanges, and other industries such as the automotive and petrochemical industries, while the major customers of SaaS-based APM services are from the Internet, peer-to-peer and e-commerce industries including web portals, online media websites and online video game companies. See "Industry Overview" of this document for further details of the APM market in China.

- *Our business model:* The APM market in China is still at its early stage and our on-premise APM products and services are more commonly accepted by large enterprises which value data security, such as telecommunications operators, while many SMEs are not familiar with our products or services yet. As a matter of fact, the telecommunications industry represented approximately 42.0% of the total on-premise APM market in China in 2015 and the on-premise APM market in China is dominated by a small number of large state-owned telecommunications operators. According to the F&S Report, the China's Largest Telecom Group accounted for approximately 30.8% of the total on-premise APM market in China in 2015, while the second and the third largest state-owned telecommunications operators accounted for approximately 8.4% and 2.8%, respectively. Accordingly, Frost & Sullivan, our industry consultant, is of the view that our Group's concentration of sales to the China's Largest Telecom Group is not uncommon in the on-premise APM industry in China. Furthermore, according to the F&S Report, the China's APM market is a small market compared to other developed economies and the top three market players in the APM market comprised 45.9% of the entire market in terms of contract value in 2015, with our Group ranking third. We believe it is inevitable for us to forge our business relationship with the China's Largest Telecom Group as we represent one of the few leading players in the on-premises APM market which can meet its standards. Frost & Sullivan is also of the view that it is customary for companies such as our Group to work with different telecommunication operators. In addition to the China's Largest Telecom Group, the second and third largest state-owned telecommunications operators in China are also our customers which we have been working with for at least three years. For more information on our relationship with such telecommunications operators, see "– Our Customers" above.
- *The China's Largest Telecom Group being a market leader in the telecommunications industry in China:* The China's mobile telecommunications network is dominated by a few state-owned leading market players, among which

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the China’s Largest Telecom Group has the largest end-customer base and recorded a subscriber volume in 2015 larger than the sum of that of the second and third largest telecommunications operators in China, according to the F&S Report. The China’s Largest Telecom Group has established a reputable market presence in the telecommunications industry in China, which presents to our Group a reliable, reputable and competitive customer to work with.

- *Our long-term business relationship with the China’s Largest Telecom Group:* We have established business relationship with the China’s Largest Telecom Group for almost 10 years and our Group has not encountered any material disputes with the China’s Largest Telecom Group. It is commercially beneficial for our Group to maintain stable and long-term relationships with our largest customers. Being one of the few APM market leaders in the telecommunications industry, the China’s Largest Telecom Group is able to benefit from the rapid growth of the industry. In turn, we are able to grow our business and keep ourselves abreast of the latest market developments by working closely with a leader in the telecommunications industry in the China’s Largest Telecom Group.

For risks relating to our relationship with the China’s Largest Telecom Group, see “Risk Factors – Risks relating to our Business and Industry – A substantial amount of our revenue is derived from the contracts we enter into with the subsidiaries of the China’s Largest Telecom Group, and any decrease or loss of business from them could adversely and substantially affect our business, results of operations and financial conditions”.

### *Sustainability of our business*

We believe our relationship with the provincial subsidiaries of the China’s Largest Telecom Group is sustainable based on the factors set out below:

- *The provincial subsidiaries of the China’s Largest Telecom Group are operated independently:* Our business with each of the provincial subsidiaries is conducted on standalone basis under sales agreements entered into solely between such provincial subsidiary and us, considering that each provincial subsidiary is a separate legal entity with independent decision-making authority, operational, financial and management functions. As each of such provincial subsidiaries is operated independently and we enter into sales agreements or participate in open tendering processes separately with each of them, we do not consider the China’s Largest Telecom Group as one single customer. In fact, we designate different service specialists to cater to the different demands of the provincial subsidiaries. Accordingly, even if our products or services are not competitive to one provincial subsidiary or our relationship deteriorates with such subsidiary due to some other reasons, it is unlikely that our relationships with other subsidiaries will be affected.
- *We and the China’s Largest Telecom Group have a complementary relationship:* We, as a market leader in China’s APM industry, are well positioned and capable to provide our APM products and services to the China’s Largest Telecom Group. Our



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Directors believe our Group represents one of the few APM products and services providers with a good market reputation which are able to meet the performance requirements set by the different subsidiaries of the China’s Largest Telecom Group. See “– Mutual and complementary relationship between the China’s Largest Telecom and our Group” above for further details.

- *Continuing to broaden our customer base:* We have an extensive sales network in China to actively broaden our customer base. We had 77, 101, and 115 customers as of December 31, 2014, 2015 and May 31, 2016, respectively. As of May 31, 2016, aside from the provincial subsidiaries of the China’s Largest Telecom Group, we had 60 customers from different industries, including telecommunications, cable television, network equipment manufacturing, electric utilities and finance. During the Track Record Period, we had commenced business relationship with 60 new customers including certain broadcasting companies, and the number of our customers which are not part of the China’s largest Telecom Group increased every year. The proportion of our number and value of our contracts with such customers also increased during the Track Record Period, rising from 24.0% in 2014 to 43.8% for the five months ended May 31, 2016, and from 22.2% in 2014 to 27.7% for the five months ended May 31, 2016, respectively.

According to the F&S Report, the overall size of China’s APM industry reached approximately RMB672.3 million in 2015, and is expected to grow rapidly in the next five years. As the APM market in China grows, we will continue to diversify our customer base by expanding our sales network and deepening our portfolio of products and services. We also intend to expand strategically in certain overseas markets, such as Asia-Pacific countries by introducing our new features and contents to these markets and identifying, if required, experienced and reliable local partners and distributors to facilitate our efforts. See “– Business Strategy – Leverage growth opportunities in China and strategically expand into certain overseas markets” for details.

Lastly, we plan to commercialize our cloud-based SaaS platform in the first half of 2017, and we expect our SaaS platform will further expand our customer base to include SMEs, which have a rising demand for APM products and services.

- *Industry outlook:* China’s APM industry witnessed rapid growth over the recent years, with its market size increasing from approximately RMB116.5 million in 2010 to approximately RMB672.3 million in 2015 at a CAGR of 42.0% between 2010 and 2015. As an emerging segment of China’s IT industry, the overall APM industry is expected to thrive benefiting from the Internet Plus (互聯網+) strategy issued in March 2015 by the Chinese government. This strategy aims to promote economic growth and foster new industries and business development, including e-commerce, industrial Internet and Internet finance, by integration of mobile Internet, cloud computing and big data with conventional industries such as manufacturing. We believe this strategy will encourage and promote the adoption of the latest information technology among various industry sectors in China, which in turn creates a higher demand for our products and services. According to the F&S

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Report, the size of the APM market in China will mount up to approximately RMB5,252.0 million by 2020, representing a CAGR of 50.9% between 2015 and 2020. Leveraging our early-mover advantage and service capabilities, we believe we are well positioned to benefit from such growth prospect and compete more effectively.

### PROCUREMENT AND SUPPLIERS

Our suppliers mainly include hardware manufacturers and installation engineering service providers. During the Track Record Period, our purchase of hardware constituted the largest part of our procurement expenses, which accounted for approximately 79.3%, 94.3% and 81.7% of our total procurement expenses in 2014, 2015 and the five months ended May 31, 2016, respectively. During the Track Record Period, our largest supplier was Shenzhen Lanxus Technology Co., Ltd. (深圳市聯智通達科技有限公司) ("**Lianzhi Tongda**"), a hardware manufacturer, with whom we have maintained a five-year business relationship. We procure hardware and installation engineering services from various suppliers to minimize the risk of disruption of our operation if certain supplier fails to meet our procurement requirements in a timely manner. Our other major suppliers include Guangzhou Xincal Communication Technology Co., Ltd. (廣州市信彩通訊科技有限公司) ("**Guangzhou Xincal**"), a hardware manufacturer, Shenzhen Anding Electronics Co., Ltd. (深圳安鼎電子有限公司) ("**Shenzhen Anding**"), a hardware manufacturer, Shanghai Weiheng Telecommunications Technology Co., Ltd. (上海維恒電信技術有限公司) ("**Shanghai Weiheng**"), an installation engineering service provider, Henan Liantian Technology Co., Ltd. (河南連天科技有限公司) ("**Henan Liantian**"), an installation engineering service provider, and Chengdu Kemaite Communication Technology Engineering Co., Ltd. (成都科邁特通信技術工程有限公司) ("**Chengdu Kemaite**"), an installation engineering service provider. We have maintained business relationships with our major suppliers for one to five years.

For 2014, 2015 and the five months ended May 31, 2016, our total purchase attributable to our top five suppliers accounted for approximately 70.1%, 74.0% and 86.9% of our total procurement expenses, respectively. Our largest supplier accounted for approximately 59.8%, 34.0% and 48.6% of our total procurement expenses during the same periods, respectively. Our Directors are of the view that our Group is not subject to significant concentration risk on suppliers, and there are alternative suppliers at similar prices readily available in the market. All of our top five suppliers during the Track Record Period were independent third parties except for Guangzhou Xincal, which is an associate of Mr. Liang, one of our Shareholders. Our total purchase amount from Guangzhou Xincal was RMB0.5 million and RMB0.5 million in 2014 and 2015, respectively, for hardware components. Up to the Latest Practicable Date, no additional transaction had taken place between Guangzhou Xincal and our Group since December 31, 2015. Our Directors confirm that our transactions with Guangzhou Xincal have been conducted on normal commercial terms and that their terms are fair and reasonable to us. Our Directors further confirm that no additional transactions will take place between Guangzhou Xincal and our Group following the [REDACTED]. Below is a table setting out our five largest suppliers for the Track Record Period.



**BUSINESS**

For the year ended December 31, 2014

	Procurement expenses <i>RMB'000</i>	Percentage of procurement expenses attributable to total procurement expenses	Length of business relationship with our Group as of the Latest Practicable Date <i>(year)</i>	Background	Credit term <i>(days)</i>
Lianzhi Tongda	4,394	51.1	5	Hardware manufacturer	60
Guangzhou Xincai	444	5.2	2	Hardware manufacturer	10
Shenzhen Anding	435	5.1	3	Hardware manufacturer	30
Shanghai Weiheng	405	4.7	3	Hardware manufacturer	10
Supplier A	340	4.0	3	Hardware manufacturer	10
<b>Total</b>	<u><u>6,018</u></u>	<u><u>70.1</u></u>			

**BUSINESS**

For the year ended December 31, 2015

	<b>Procurement expenses</b> <i>RMB'000</i>	<b>Percentage of procurement expenses attributable to total procurement expenses</b>	<b>Length of business relationship with our Group as of the Latest Practicable Date</b> <i>(year)</i>	<b>Background</b>	<b>Credit term</b> <i>(days)</i>
Lianzhi Tongda	2,632	34.0	5	Hardware manufacturer	60
Henan Liantian	1,097	14.2	2	Hardware manufacturer	10
Shanghai Weiheng	746	9.6	2	Hardware manufacturer	10
Chengdu Kemaite	660	8.5	1	Hardware manufacturer	10
Shenzhen Anding	598	7.7	3	Hardware manufacturer	60
<b>Total</b>	<b>5,733</b>	<b>74.0</b>			

**BUSINESS**

For the five months ended May 31, 2016

	<b>Procurement expenses</b> <i>RMB'000</i>	<b>Percentage of procurement expenses attributable to total procurement expenses</b>	<b>Length of business relationship with our Group as of the Latest Practicable Date</b> <i>(year)</i>	<b>Background</b>	<b>Credit term</b> <i>(days)</i>
Lianzhi Tongda	1,831	48.6	5	Hardware manufacturer	60
Shanghai Weiheng	620	16.4	3	Hardware manufacturer	10
Supplier B	388	10.3	1	Hardware manufacturer	30
Supplier C	250	6.6	1	Hardware manufacturer	10
Supplier D	189	5.0	2	Hardware manufacturer	10
<b>Total</b>	<u>3,278</u>	<u>86.9</u>			

Except as disclosed above, as of the Latest Practicable Date, none of our Directors, Shareholders (who or which, to the knowledge of our Directors, owned more than 5% of the issued share capital of our Company) or their respective close associates had any interest in any of our top five suppliers during the Track Record Period.

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### Hardware Manufacturers

Our purchases consist primarily of hardware components that are specified in the relevant sales agreements. The major components purchased include network equipment, firewalls, agents and servers. The purchase prices are reached after arm's length negotiation with the relevant suppliers. Since these hardware components are purchased according to our customers' specific needs, the costs vary from case to case. There is no specific pattern in the purchase prices. Our Directors consider that this made-to-order operational pattern could minimize our exposure to inventory accumulation risk. Our final sales agreement price would be set above our estimated costs with reference to the quotations from the potential suppliers and therefore could cover our purchase costs on hardware components. During the Track Record Period, our hardware suppliers included primarily Shenzhen Lanxus Technology Co., Ltd. (深圳市聯智通達科技有限公司), Guangzhou Xincai and Shenzhen Anding Electronics Co., Ltd. (深圳安鼎電子有限公司), all of which, except for Guangzhou Xincai, are independent third parties.

### *Principal terms of procurement agreements*

We generally enter into procurement agreements with our hardware suppliers on a project basis. Set forth below are certain key terms of these procurement agreements.

- *Pricing.* The unit price of each type of hardware components we purchase is fixed and not adjustable under the procurement agreements.
- *Payment terms.* We are generally required to settle 90% of the total purchase price within 60 days upon our inspection and acceptance of the hardware components. The remaining 10% is settled within seven days after such components are installed at the premises of end users, namely our customers, and accepted by the end users. The payments are settled by wire transfer.
- *Delivery.* Our suppliers are responsible for packaging and delivering the hardware components to the place designated by us within a stipulated period of time.
- *Inspection and acceptance.* We are required to complete the inspection and other procedures for acceptance of the hardware components within certain days upon the delivery, and are entitled to reject the delivery of any substandard or defective components.
- *Termination.* We may claim liquidated damages and terminate the agreements if the suppliers fail to deliver the hardware components before the deadlines stipulated thereunder.
- *Warranty.* Our suppliers typically warrant us that the hardware they provided shall meet the performance, technical, and quality standards and requirements designated by us. The hardware components are generally covered by a warranty period of 42 months. We reserve the right to return the goods and claim refund if the defect rate of the hardware components exceeds certain threshold.

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### Installation Engineering Service Providers

We rely primarily on our own work force for business operation. We also from time to time outsource installation engineering services from installation engineering service providers to assist in on-site installation and integration work. We arrange for experienced technicians to oversee the entire installation process to ensure strict compliance with our quality control measures and operational procedures. During the Track Record Period, our installation engineering service providers included primarily Shanghai Weiheng Telecommunications Technology Co., Ltd. (上海維恒電信技術有限公司), Henan Liantian Technology Co., Ltd. (河南連天科技有限公司) and Chengdu Kemaite Communication Technology Engineering Co., Ltd. (成都科邁特通信技術工程有限公司), all of which are independent third parties. For 2014, 2015 and the five months ended May 31, 2016, we outsourced 9.5%, 10.7% and 2.6% of our projects in terms of number of projects to third party providers for the installation and integration work, respectively.

### *Principal terms of installation engineering service agreements*

We generally enter into installation engineering service agreements with our service providers on a project basis. Set forth below are certain key terms of these installation engineering service agreements.

- *Scope of service.* Our service agreements outline the intended scope of services the installation engineering service providers are engaged for, including primarily on-site inspection, construction, installment and maintenance work relating to a specific product for certain customer.
- *Pricing.* The total service fees are fixed and not adjustable under the agreements.
- *Quality control.* We are entitled to oversee the entire installation process by regular on-site checks. We also provide free technical trainings and support to the service providers to facilitate their installation work. Upon completion, we conduct acceptance inspection on the installation work and trial run on the system to ensure a proper installation. We bear all the liabilities arising from product defects.
- *Settlement.* The total service fees are generally paid in a lump sum to our suppliers within 10 days after they finish the entire work and pass the acceptance inspection. We may make advance payments to the suppliers based on the actual status of the work.
- *Termination.* We may terminate the agreements if our suppliers reassign the work to third parties without our prior consent. In addition, if our products fail to pass the final test due to the installation engineering service providers, we are entitled to claim refund of the service fees from them.

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### **Criteria for Supplier Selection**

We select our suppliers based on a number of factors, including their product or service quality, reputation, price, supply capacity and credit terms. We also monitor and evaluate our current suppliers on an annual basis in respect to their ability to satisfy our quality requirements and demands. Most of the hardware components needed for our projects are readily available in the market from various suppliers. We thus do not place any significant reliance on our existing suppliers. Our Directors believe that alternate suppliers are readily available.

During the Track Record Period, we did not experience any difficulty in procuring hardware or installation engineering services from our suppliers and did not receive any material claims from our customers in respect of the quality of hardware or services from our suppliers.

### **INVENTORIES**

We generally purchase hardware and raw materials on a back-to-back basis upon entering into of sales agreements with our customers. Accordingly, our final sales agreement price would be able to cover the costs with reference to the quotations from the potential suppliers, and we are able to pass on any increases in purchase costs to our customers.

### **OUR TECHNOLOGIES**

Our customers' business performances are highly reliant on the performance and stability of the Internet or telecommunication networks. For instance, it is essential for telecommunication operators to provide fast, reliable and stable network and telecommunication services and commodity exchanges to offer fast, reliable and stable trading network and platform to their customers. Our services and products aim to increase the productivity of our customers by providing network quality and application performance assurances.

Our technologies provide quality management for Internet service and content providers' business by detecting, analyzing and resolving issues that may affect the performance or usability of business applications. None of our technologies is primarily used or intended to be used for the collection of personal data or other confidential information from the end-users or for assisting in government surveillance. See "– Risk Management – Information Risk Management" for more details regarding our internal control in data protection. APM technology is playing an increasingly important role in all kinds of Internet service businesses, as nowadays key business transactions are typically consummated through sophisticated applications and the Internet, and a decrease in application performance may result in lower productivity and inferior customer experience, which in turn would impact the business operations of the Internet service and content providers.

## **BUSINESS**

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We have developed a proprietary technology platform with robust data analysis capabilities that integrates and tracks every aspect of the Internet services that our customers provide, such as monitoring of network performance, monitoring and optimization of websites and applications running on mobile operating systems, performance management of Internet video applications, and customer experience analysis based on big data. Our core technologies, consisting of the APM technology, cloud-based SaaS platform, the NPM technology and the big data technology, allow us to offer high-quality and comprehensive data-based APM services. We upgrade our technologies regularly to incorporate the latest technologies and improve customer experience. Leveraging the data retrieved from our daily tracking and monitoring, we provide our Internet service and content provider customers with customized end-to-end performance solutions, which help them improve their business performance and customer experience.

### **APM Technology**

Applying primarily to network-based applications and financial trading applications, our APM products and services provide visibility into the performance and usage of such applications from customer's perspective. In practice, our APM technology collects performance experience from end-users such as network latency, application response time and response rate through proactive simulations of the end users' behaviors, and offers our customers business performance analysis, discovery of business bottlenecks, optimization of business performance and application performance management. Through the data collecting agents installed on PC terminals, mobile terminals, network devices and servers, the NetVista platform performs as a central platform and constantly transmits instructions to each of the agents, which, upon receipt of instructions, transmits back collected data to our database for analysis and generating a data report. The NetVista platform also alerts our customers upon detecting, among others, application performance degradation, falling traffic, Internet video or web advertising buffer fault and other typical malfunctions.

Our APM products and services also feature functionality of trading performance management, serving primarily trading platforms such as stock exchanges and commodity exchanges by monitoring and optimization of their high frequency trading and systematic trading. The Trade QoS system is capable of monitoring every step of the transaction flow, such as order placement, matching, settlement and funding, through agents installed in the electronic trading system to detect any system delay or bottleneck. Upon integration with our customers' trading systems, the Trade QoS system provides end-to-end analytics and interconnection about trading and helps our customers optimize their trading performance.



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### **NPM Technology**

Our APM products and services also provide end-to-end visibility and analytics to deliver actionable information to resolve network performance issues in a rapid and proactive manner. In practice, our NPM technology offers our customers 24x7 identification of network failure, resources management/monitoring of their applications and networks and system failure prevention. The NPM technology allows our customers to increase their competitiveness in the market, cut down their budgets and adapt to the latest trend in the industry. Through distributed data collecting agents on a network, the NetVista platform provides visibility into the performance of the network layers and application layers between any two nodes of the network. A central server of the NetVista platform directs the software agents and hardware agents distributed among key positions inside the network of a customer, for instance a network operator, to conduct performance data collection and proactive tests, which collect critical information for network performance analytics and diagnostics. This module allows the NetVista platform to carry out a variety of end-to-end testing and significantly reduces the time required for troubleshooting and repairing. Network operators can rely on the NetVista platform to deeply analyze point-to-point performance of their applications or business at any node of their networks, which in turn will assist them in identifying and solving system failure associated with application or business in the entire IP network.

### **Cloud-based SaaS Platform**

Our cloud-based SaaS platform is a different delivery model than our on-premise APM products. Customers can access our APM services and make use of our technologies through visiting our Saas-based NetVista platform via their browsers. Customers do not need to devote significant capital commitment and they do not require a large-scale IT infrastructure to use our SaaS platform. Our SaaS platform, which we expect to commercialize in the first half of 2017, is a menu-driven system capable of managing hybrid cloud and heterogeneous architecture including on-premise software. It adopts the method of cloud computing and big data to enable customers to subscribe for and access analysis resources as needed conveniently and efficiently through a cloud-based delivery. Our SaaS platform is capable of linking with a large number of end terminals simultaneously. Upon linking their end terminals with the cloud, our customers may install agents from the SaaS platform on such end terminals to monitor their applications and networks. Our intelligent agents from the SaaS platform are able to quickly recognize the customer's particular IT environment and configure themselves automatically. They then collect performance and event data that are defined by the customer and report them securely to our proprietary cloud-based database for storage and analysis. Our intelligent agents typically send such data each five minutes, on average, and are designed to cause minimal latency on applications and networks.

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### **Big Data Technology**

Our customers often have to provide services to a large base of Internet users and it is paramount for them to have a comprehensive understanding of the customers' behaviors and perceptions to its products and services. Our APM products deploy a large number of agents into the IP network to collect performance data on various types of applications and networks in real time each day. After our data collecting agents have gathered the performance data using our APM technology, our big data technology allows our customers to analyze the data collected real time on a large scale and offers our customers to respond to any possible defaults in their systems and to understand user experience on application performance. Leveraging modern big data technologies, including in-memory storage and distributed clustering techniques, our big data database has been optimized to store and prepare massive amounts of both unstructured and structured events and metrics for extensive data mining, rapid analysis and flexible querying. Through the big data platform our customers can easily and efficiently build dashboards, make queries to deliver real-time insights, generate visible analysis reports and charts of their data, and receive solutions to user experience improvement and performance optimization. Our big data analytics capabilities further allow us to analyze the large quantities of data stored in our database to understand the difference in user behavior and experience under various circumstances, such as location, timing and network environment. We also leverage our data to anonymously compare our customers' application performance with those of their competitors.

### **RESEARCH AND DEVELOPMENT**

Since our inception, we have invested significant resources to develop and improve our proprietary technologies in order to meet changing and diversified customer demands. With our extensive industry experience, deep understanding of customer needs, and continuous innovation and improvement of technologies, we believe our research and development policy has enabled us, and will continue to enable us, to sustain our leading position in the APM industry in China.

R&D department is our largest department. Led by our head of R&D, Mr. LIU Zewei, who has over 10 years of experience in software and network industry, our R&D department consisted of 90 members as of May 31, 2016, accounting for approximately 55.2% of our total employees. Among them five obtained master's or higher degrees, and 60 obtained bachelor's degrees or other advanced degrees. Our R&D staff have an average of approximately three years of experience relating to software development, programming and system integration. In addition, we operate three research and development centers in Beijing, Hefei, Anhui province, and Harbin, Heilongjiang province, respectively. Our principal research and development center is located in Beijing with a focus on the product development on the NetVista platform and the cloud-based SaaS platform. The other two research and development centers are located in Hefei, Anhui province and Harbin, Heilongjiang province, focusing on the development of OTT performance management technology and big data technology, respectively. To keep abreast of the latest technology development and trends in the APM industry, we provide relevant training programs to our R&D staff on a quarterly basis and

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recruit additional R&D staff with extensive industry experience. Our technical support service members also work closely with our customers to identify future product needs and market developments. Going forward, we intend to allocate more resources to our research and development capabilities. See “– Business Strategy” for further details.

### Key Development Projects

We will continue to make substantial investments in research and development and focus our future efforts on the APM products, cloud-based platform and big data technology. For details of our future plans and use of net proceeds from the [REDACTED], see “Future Plans and Use of Proceeds”. We incurred research and development expenses of approximately RMB4.7 million, RMB4.0 million and RMB1.4 million in 2014, 2015 and the five months ended May 31, 2016, respectively, representing approximately 11.5%, 7.7% and 5.4% of our revenue in the same periods, respectively. We aim to further focus our research and development activities on the following areas:

- *NetVista platform.* NetVista platform is our major platform. We plan to continue to optimize and enhance this platform by, for example, adopting cutting-edge technologies related to SDN/NFV, which will extend the functionalities of the NetVista platform and allow us to serve a broader array of IT environments, such as orchestrated applications and virtual networks. Our major research and development works in respect of SDN/NFV include the following:
  - the deployment of virtualization solutions to meet the needs of cloud computing;
  - the support of SDN/NFV quality monitoring needs; and
  - for large-scale data collecting agent access, the development of a load balancing scheme.

We believe such optimization will further strengthen the popularity of our NetVista platform.

- *Trading business performance management system.* This system has been launched and commercialized. We plan to continue to optimize the development of our transaction-based APM products that target financial market participants such as securities and futures companies. Such products provide customers with a privatized platform through which the performance of the customer’s trading business, for instance high frequency trading and algorithmic trading, is monitored and optimized. We also plan to develop a “plug and play” functionality on the Trade QoS system, which will allow banks, securities and futures companies, particularly small and medium-sized ones that place higher emphasis on cost-efficiency, to integrate

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our Trade QoS system with their trading environment without the need for physical device configuration. Our major research and development works in respect of the trading business performance management system include the following:

- the isolation of various modules for configuration. This will position us to work with national exchanges which involves various platforms and functions, and multiple layers of trading networks;
  - the development of various customer billing models;
  - the rapid deployment of decoding engine module to realize separation of application layers; and
  - the expansion of the trading business performance management system to other general transactions.
- *Cloud-based SaaS platform.* We have expanded our NetVista platform into a proprietary cloud-computing SaaS delivery model, where customers may subscribe for our APM services via cloud based on their particular needs. Our major research and development works in respect of the cloud-based SaaS platform include the following:
    - the establishment of a highly scalable APM service platform;
    - the development of customer interaction systems and customer service systems; and
    - the provision of a more comprehensive analytics tool.

We expect this platform will appeal particularly to the SME customers. We expect to commercialize this platform in the first half of 2017. See “– Our Platforms – Cloud-based SaaS Platform”.

- *Big data collecting and analyzing system.* This system has been launched and commercialized. We plan to continue to enhance this system with customer experience analysis and optimization capabilities. This system delivers interactive, actionable and real-time data visualization on quality, resources, traffic and other important aspects of applications and networks, allowing our customers to make faster and data-driven decisions about their business and customer experience. Our major research and development works in respect of the big data collecting and analyzing system include the following:
  - the development of open-source big data applications;
  - the development of an efficient data user interface; and

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- the transfer of the previous business analysis model onto the big data platform.
  
- *OTT performance management system.* This system has been launched and commercialized. We plan to continue to enhance this system that monitors the performance of OTT, which is a delivery model that transmits audio, video, and other media over the Internet. Our OTT performance management system collects the performance and event data of Internet video applications through agents preinstalled within set-top boxes and sends those data to our database for analysis. Our major research and development works in respect of the OTT performance management system include the following:
  - the development of set-top box software agent;
  - the support to IPTV monitoring in addition to OTT; and
  - the support to the monitoring of different video sources.
  
- *Mobile application performance management system.* This system has been launched and commercialized. We plan to continue to enhance this system that monitors and manages the performance of mobile applications running on the iOS and Android mobile operating systems. This system provides mobile network operators and mobile application developers a privatized platform where they can gain visibility into the code-level performance of applications and usage of mobile device resources. Our major research and development works in respect of the mobile application performance management system include the following:
  - strengthening the support for IOS system;
  - the development and improvement of the application library and application analysis model; and
  - the support to HTTPS protocol.

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As of the Latest Practicable Date, we had six major R&D projects for developing new software and solutions underway, all of which were carried out by our own R&D department and do not involve cooperation with third parties. The expected total R&D expenditure for these ongoing projects through 2016 and 2017 will be approximately RMB5.1 million and RMB15.7 million, respectively, which will be funded by cash from operations and proceeds from the [REDACTED], proceeds from the [REDACTED] and self-owned capital. See “Future Plans and Use of Proceeds”. Details of our ongoing R&D projects are set forth below.

	Expected Expenditure in 2016 (RMB'000)	Expected Expenditure in 2017 (RMB'000)	Total Expected Expenditure in 2016 and 2017 (RMB'000)	Funded by Net Proceeds (RMB'000)	Funded by Internal Resources (RMB'000)	Total Funds (RMB'000)
NetVista platform	760	1,853	2,613	[REDACTED]	1,695	[REDACTED]
Trading business performance management system	760	2,207	2,967	[REDACTED]	1,743	[REDACTED]
Cloud-based SaaS platform	1,266	3,352	4,618	[REDACTED]	3,088	[REDACTED]
Big data collecting and analyzing system	1,266	4,150	5,416	[REDACTED]	2,968	[REDACTED]
OTT performance management system	507	2,152	2,659	[REDACTED]	1,027	[REDACTED]
Mobile application performance management system	507	1,943	2,450	[REDACTED]	1,226	[REDACTED]
<b>Total</b>	<u>5,066</u>	<u>15,657</u>	<u>20,723</u>	<u>[REDACTED]</u>	<u>11,747</u>	<u>[REDACTED]</u>

We intend to allocate more resources to enhance our R&D capabilities as compared with our expenditure on R&D during the Track Record Period to (1) sustain our expected long term growth and (2) maintain our market position in the technology-driven, fast-developing and competitive APM industry. See “Future Plans and Use of Proceeds”. According to the F&S Report, in order to stay informed of the latest technological development and keep up with customers’ changing demands and stay ahead of competition, it is important for APM players to invest on R&D, which includes continuous development of technology, conducting research on new products and involving of experienced talents, to ensure the efficiency and competitiveness of their products.

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### **COMPETITION**

As an emerging segment of China's IT industry, China's APM industry is relatively concentrated and at its early stage. According to the F&S Report, China's APM industry witnessed a rapid growth over the past few years, with its market size increasing from approximately RMB116.5 million in 2010 to approximately RMB672.3 million in 2015, representing a CAGR of 42.0% from 2010 to 2015, and the top three players commanded a combined market share of 45.9% in terms of contract value in 2015. In 2020, the market size of China's APM market is expected to reach approximately RMB5,252.0 million, representing a CAGR of 50.9% from 2015 to 2020. The APM industry contains two segments, namely the on-premise APM segment and the SaaS-based APM segment. In 2015, the SaaS-based APM segment accounted for approximately 56.6% of the whole market, while the on-premise APM segment accounted for 43.4%. China's on-premise APM market is relatively concentrated due to its high entry barriers. The market size of the on-premise APM services was approximately RMB292.1 million in 2015, and is expected to further increase to approximately RMB1,791.4 million in 2020 at a CAGR of 43.7% from 2015 to 2020. The emergence of SaaS-based APM solutions is likely to augment the overall APM market. The market size of the SaaS-based APM services was approximately RMB380.2 million in 2015, and is expected to further increase to approximately RMB3,460.6 million in 2020 at a CAGR of 55.5% from 2015 to 2020.

We compete primarily with a number of reputable players in China, such as Dynatrace LLC, NetScout Systems, Inc., Beijing Networkbench Inc. and OneAPM Inc. According to the F&S Report, the entry barriers to China's APM industry consist primarily of technical capability, marketing capability, capital support and human resources. For more information about the APM industry in China, see "Industry Overview". We face competitions on the quality and effectiveness of our services, our ability to meet potential customers' expectations and specifications in a flexible way, and our experience and reputation.

In the SaaS-based APM market which we are entering in the first half of 2017, we may face challenges to provide more reliable products at a reasonable price to gain market share from existing major competitors, which may in turn adversely affect our business, results of operation and financial condition as we have allocated certain portions of our internal resources to develop our SaaS platform. See "Risk Factors – Risks Relating to Our Business and Industry – We may encounter certain threats while entering China's SaaS-based APM industry".

Our Directors believe that we will maintain our competitiveness over other competitors and our market position by strengthening and developing our competitive strengths. For further details of our competitive strengths, see "– Competitive Strengths" above.



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### AWARDS AND CERTIFICATES

During the Track Record Period, our products, services and operations earned a number of awards and recognitions, a summary of which is as follows:

Award/Certificate	Issuing Organization	Issuing Date	Expiry Date
High and New Technology Enterprise Certificate (高新技術企業證書)	Beijing Municipal Science & Technology Commission; Beijing Municipal Bureau of Finance; Beijing Local Tax Bureau; Beijing Municipal Office of the State Administration of Taxation (北京市科學技術委員會；北京市財政局；北京市地方稅務局；北京市國家稅務局)	November 11, 2013	November 10, 2016 <sup>(1)</sup>
Z-Park One-Star Credit Enterprise Certificate (中關村示範區信用一星級企業證書)	Beijing Zhongguancun Enterprise Credit Promotion Association (北京中關村企業信用促進會)	April 2, 2014	N/A
Z-Park Two-Star Credit Enterprise Certificate (中關村示範區信用二星級企業證書)	Beijing Zhongguancun Enterprise Credit Promotion Association (北京中關村企業信用促進會)	January 7, 2015	N/A
ISO 9001:2008 Quality Management System Certification (ISO 9001:2008 質量管理體系認證證書)	Beijing Zhongjing Kehuan Quality Certification Co., Ltd. (北京中經科環質量認證有限公司)	January 21, 2015	January 20, 2018
Zhongguancun High and New Technology Enterprise Certificate (中關村高新技術企業證書)	Zhongguancun Science and Technology Park Management Committee (中關村科技園區管理委員會)	July 9, 2015	July 8, 2018



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Award/Certificate	Issuing Organization	Issuing Date	Expiry Date
Top 100 the Most Developing Potential Credit Enterprise of "Credit Cultivate Double Hundred Project" 2014-2015 Zhongguancun (2014-2015年度中關村信用培育雙百工程百家最具發展潛力信用企業)	Zhongguancun Enterprise Credit Promotion Association (中關村企業信用促進會)	November 2015	N/A
AAA Credit Grade Certificate (AAA信譽等級證書)	China Lianhe Credit Information Service Co., Ltd. (聯合信用管理有限公司)	December 28, 2015	December 27, 2016
ISO 14001:2004 Environment Management System Certification (ISO 14001:2004環境管理體系認證證書)	Beijing Zhongjing Kehuan Quality Certification Co., Ltd. (北京中經科環質量認證有限公司)	January 27, 2016	January 26, 2019
ISO 27001:2013 Information Security Management System Certification (ISO 27001:2013信息安全管理体系认证證書)	Beijing New Century Inspection and Certification Co., Ltd. (北京新世紀檢驗認證股份有限公司)	November 17, 2016	November 16, 2019

(1) As of the Latest Practicable Date, we have reapplied for the "high and new technology enterprise" certificate and expect to obtain the certificate in the first quarter of 2017.

## INTELLECTUAL PROPERTY RIGHTS

The intellectual property rights are of material importance to our business, since our success in staying competitive in the market depends on the customers' recognition. We strive to develop a substantial portfolio of intellectual property rights in China to protect our technologies, names and copyrights significant to our business. As of the Latest Practicable Date, we were the registered owner of six trademarks, 29 registered software copyrights and eight pending patent applications in China, and the registered owner of two trademarks in Hong Kong. For details of our intellectual property rights, see Appendix IV – "Statutory and General Information" to this document. We rely primarily on laws of trademark, patent, copyright, and trade secrets, as well as on confidentiality agreements entered into with employees or third parties to protect our intellectual property rights. During the Track Record Period, no material claims or disputes were brought against us in relation to any infringement of any third party's trademark, patent, or any other intellectual property rights. During the Track Record Period and up to the Latest Practicable Date, we did not experience any infringement of our intellectual property rights which had a material adverse effect on our business and results of operations.

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### PROPERTIES

Our PRC headquarters are located in Beijing, China. We occupy certain properties elsewhere in China in connection with our business operation. All of our properties were in safe conditions during the Track Record Period and up to the Latest Practicable Date. These properties are used as our offices.

#### Owned Properties

As of the Latest Practicable Date, we did not own any properties. On this basis, no property valuation report in respect of our Group’s property interests is required in reliance upon the exemption provided by Rule 8.02A(5) of the GEM Listing Rules and [REDACTED]. Therefore, this document is exempted from compliance with the requirements of Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

#### Leased Properties

As of the Latest Practicable Date, we leased five properties in China with an aggregate leased area of approximately 1,286.9 square meters from various independent third parties. The properties we leased are primarily used for our offices. We have been advised by our PRC legal advisers that all of our leases are legal and valid save as disclosed below.

Our current operations on leased premises are exposed to a number of inherent risks and limitations, such as property title defects. See “Risk Factors – Risks Relating to Our Business and Industry – We face certain risks relating to the properties that we lease”. We plan to renew our leases or negotiate new lease terms when the existing leases expire. We did not experience material difficulties in negotiating renewal of our leases with our landlords during the Track Record Period.

#### *Title defects*

In respect of our leased property in Hefei, Anhui province with a leased area of approximately 164 square meters which is primarily used as offices, our landlord had not provided us with evidence of its valid building ownership rights or land use rights, the relevant title documents or evidence of its relevant rights or authority to lease such property as of the Latest Practicable Date. The relevant lease agreement has been registered with relevant administrative authorities. There remains uncertainty about the validity of the lease of such property. During the Track Record Period, we generated no revenue from the usage of this property, and our Directors therefore consider that its title defect does not have a material adverse effect on our business and results of operations. Should disputes arise due to title encumbrances to such property or government action and we are required to vacate from this property, we are able to relocate our offices to other comparable premises nearby in a timely manner at minimal cost. See “– Internal Controls” below for more details about our measures to avoid title defects in our leased properties in the future.

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Each of Mr. Sie, Mr. Yue, Mr. Guan and Mr. Liang executed an undertaking on July 18, 2016, pursuant to which each of them undertook that (1) if we are required to vacate from this leased property, they will use their best endeavors to relocate our business to other premises and to ensure the relocation would not have any material adverse effects on our operations, and (2) if Vixtel Technologies suffers any losses arising from our vacation from this leased property, each of them would bear all such losses, expenses and costs which our Group may incur (including but not limited to any penalties or relocation fee). As of the Latest Practicable Date, we were not aware of any challenge being made by a third party or government authority on the title of this leased property that might affect our current lease. In addition, our Directors do not anticipate any material practical difficulty in identifying comparable alternative premises for the defective premises above. Our Directors believe that relocation will not have a material adverse impact on our business, results of operations and financial position.

### *Non-registration*

We have four leased properties with legal and valid leases, among which three leases have been registered with relevant administrative authorities. In respect of one of the four leased properties with a leased area of approximately 62.6 square meters in Shanghai, its lease agreement has not been registered with the relevant administrative authorities. We have been advised by our PRC legal advisers that the non-registration of lease agreements will not affect the validity of such lease agreements, but competent administrative authorities may order parties to the lease agreements to complete the registration within a certain time limit and impose a fine ranging from RMB1,000 to RMB10,000 if the relevant parties fail to do so. As such, we are entitled to use the property according to the lease agreement. Our Directors confirm that our business, financial condition, results of operations and prospects would not be materially affected by any potential fines or penalties that may be imposed by the administrative authorities for non-registration of the lease agreement.

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### EMPLOYEES

We recruit our employees based on a number of factors, including their work experience, education background and the needs of our vacancies. As of December 31, 2014, 2015, and May 31, 2016, we had 111, 132 and 163 employees, respectively. The increasing number of our employees was commensurate with and also required by our business growth, as we generally need more employees to conduct research and development, satisfy the demand for our products and services from our customers and provide after sales service support, upgrades and maintenance services. The following table sets forth the number of our employees by department as of May 31, 2016.

<b>Function</b>	<b>Number of Employees</b>	<b>Percentage of Total</b>
Management	3	1.9%
Research and Development	90	55.2%
Technical Support Service	46	28.2%
Sales and Marketing	10	6.1%
Administration	14	8.6%
<b>Total</b>	<b>163</b>	<b>100.0%</b>

It is expected that the number of our employees for the management, R&D, technical support service, sales and marketing and administration departments will be increased to 9, 223, 110, 21 and 37, respectively as of June 30, 2019 following our implementation plan set out in "Future Plans and Use of Proceeds" of this document.

The following table sets forth the number of our employees by geographical location as of May 31, 2016.

<b>Geographical Location</b>	<b>Number of Employees</b>	<b>Percentage of Total</b>
Beijing	81	49.7%
Guangzhou	20	12.3%
Hefei	10	6.1%
Harbin	8	4.9%
Shanghai	7	4.3%
Others <sup>(1)</sup>	37	22.7%
<b>Total</b>	<b>163</b>	<b>100.0%</b>

(1) Including our service specialists, most of whom station at our major customers' premises, located in 25 different provinces and regions in China.

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Our employees' compensation includes base salary, bonuses and cash subsidies. In general, we determine employee's compensation based on each employee's performance, qualifications, position and seniority. We are subject to social insurance contribution plans organized by PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay, on behalf of our employees, monthly social insurance premiums covering basic pension insurance, basic medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing reserve fund. We have also bought supplemental medical insurance and individual personal accident insurance for our employees.

We recruit our employees based on a number of factors, including their work experience, educational background and the needs of our vacancies. We are committed to our employees' continuing education and development. We provide various training programs to our employees, such as corporate culture training and initial training for new employees with a view to improve staff knowledge in a number of important areas of our services, on a quarterly basis. Our internal training programs are also dynamic and tailored in accordance with the particular stage of our development.

We believe we have maintained good relationships with our employees. Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We did not experience any strikes or significant labor disputes which have had or are likely to have a material and adverse effect on our business operation during the Track Record Period.

## **INSURANCE**

As required by PRC laws, we maintain mandatory insurance and benefits for our employees, including basic pension insurance, basic medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing reserve fund. We have also bought supplemental medical insurance and individual personal accident insurance for our employees. Based on our belief of the customary industry practice in China, we do not carry product liability insurance or key person insurance for any member of our senior management team. See "Risk Factors – Risks Relating to Our Business and Industry – Our insurance coverage may not fully protect us against certain risks" for any potential risks. During the Track Record Period, we have not experienced any serious accidents on our premises or material product liability claims and we believe that our insurance coverage in general is adequate for our operations. We will continue to monitor our risk portfolio and make adjustments to our insurance practice as necessary.

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### APPROVALS, LICENSES AND PERMITS

As advised by our PRC legal advisers, during the Track Record Period and up to the Latest Practicable Date, we had obtained all the requisite approvals, licenses and permits from the relevant regulatory authorities for our operations in China and all of them were in force as of the Latest Practicable Date. For details of the requisite approvals, licenses and permits, see "Regulations". A summary of our approvals, licenses and permits is as follows:

Approval/ Licenses/Permit	Holder	Issuing Organization	Issuing Date	Expiry Date
Software Enterprise Accreditation Certificate (軟件企業認定證書)	Vixtel Technologies	Beijing Municipal Commission of Economy and Information Technology (北京市經濟和信息化委員會)	September 2, 2013	N/A
Information systems Integration and Service Qualification Certification (信息系統集成及服務資質證書)	Vixtel Technologies	China Information Technology Industry Federation (中國電子信息行業聯合會)	September 19, 2014	September 18, 2017
Network-entry License of Telecommunications Equipment (電信設備進網許可證)	Vixtel Technologies	Ministry of Industry and Information Technology (中華人民共和國工業和信息化部)	August 20, 2015	August 20, 2018

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### ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

We do not believe that the nature of our business involves substantial risks involving the environmental, health and safety matters. During the Track Record Period, we have complied in all material respects with all environmental, health and work safety laws and regulations applicable to us.

### SEASONALITY

We generally achieve higher sales of our products and services in the first and fourth quarters as compared to the second and third quarters when our top customers, particularly the state-owned enterprises, tend to place more orders around the end of their fiscal years primarily due to their annual budget schemes. For risks related to the effects of seasonality, see “Risk Factors – Risks Relating to Our Business and Industry – Our business may be subject to seasonal effects, and any disruption of business during our busy seasons could adversely affect our liquidity and results of operations”.

### LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

#### Legal Proceedings

We are subject to legal proceedings, investigations and claims incidental to the operation of our business from time to time. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material litigation or arbitration proceedings pending or, to our knowledge, threatened against us or any of our Directors that could have a material adverse effect on our business, financial condition or results of operations.

#### Non-compliance

We are subject to a number of regulatory requirements and guidelines issued by the regulatory authorities in China. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any non-compliance that, in the opinion of our Directors, is likely to have a material adverse effect on our business, financial condition or results of operations. As advised by our PRC legal advisers, during the Track Record Period and up to the Latest Practicable Date, save for the incidents as set out below, we had complied with applicable PRC laws and regulations in all material respects.

#### *Social insurance plans and housing reserve fund*

During the Track Record Period, we did not make adequate social insurances and housing reserve fund contributions for our employees. Our non-compliance was primarily due to employee oversight and lack of understanding of the relevant local regulations and communication with the relevant authorities with regard to specific local practice.

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## **BUSINESS**

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As advised by our PRC legal advisers, late fees and fines may be imposed on an employer for not making full social insurance contributions for employees in a timely manner. If any of the relevant social insurance authorities is of the view that the social insurance contributions we made for our employees do not comply with the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed time period plus a late fee of 0.05% (0.2% if the non-compliance occurred prior to July 1, 2011) of the total outstanding balance per day. If we fail to do so within the prescribed period, we may be subject to a fine ranging between one to three times of the total outstanding balance.

As advised by our PRC legal advisers, if any of the relevant housing reserve fund authorities is of the view that our contributions to the housing reserve fund do not satisfy the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed period. If we fail to do so within the prescribed period, the relevant housing reserve fund authority may apply to a PRC court for an order of payment. In addition, if an employer fails to register and establish an account for housing reserve fund contributions for its employees, the relevant housing reserve fund authority may order the employer to do so within a prescribed time limit. If the employer fails to do so within such prescribed time limit, a fine ranging from RMB10,000 to RMB50,000 will be imposed.

During the Track Record Period and up to the Latest Practicable Date, no administrative action, fine or penalty was imposed by the relevant regulatory authorities with respect to our social insurance or housing reserve fund contributions, nor had we received any order to settle the outstanding amount of such contributions. We received a confirmation letter dated June 28, 2016 from the Haidian Municipal Human Resources and Social Security Bureau of Beijing (北京市海淀區人力資源和社會保障局), the competent and responsible regulatory authority in Beijing in respect of our social insurance, confirming that, between a period from January 1, 2013 to June 28, 2016, it was not aware of any violation of any applicable social insurance laws or regulations by us, and that we were not subject to any administrative punishments in relation to our social insurance contributions. We also received a confirmation letter dated July 22, 2016 from the Zhongguancun Administration Department of the Beijing Housing Reserve Fund Management Center (北京市住房公積金管理中心中關村管理部), the competent and responsible regulatory authority in Beijing in respect of our housing reserve fund, confirming that, between a period from January 1, 2013 to July 15, 2016, it was not aware of any violation of any applicable housing reserve fund laws or regulations by us, and that we were not subject to any administrative punishments in relation to our housing reserve fund contributions. In addition, we made adequate provision for the shortfall amounts in social insurance and housing reserve fund contributions. See "Financial Information – Discussion of Certain Items from the Combined Statements of Financial Position – Other Payables and Accruals". We will also pay the shortfall amounts in social insurance and housing reserve fund contributions in a timely manner if requested by the relevant regulatory authorities. We recorded a total shortfall amount of approximately RMB2.9 million as of May 31, 2016, and believe that the payment of the shortfall amounts would not have a material adverse impact on our business operations and financial condition. Based on the foregoing facts and circumstances, and as confirmed by our PRC legal advisers, the Directors reasonably believe that the likelihood that we will be subject to fines due to inadequate social insurance or housing reserve fund contributions is remote.



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Beginning in July 2016, we have complied with our obligations for social insurance and housing reserve fund contributions for our employees in accordance with the applicable PRC laws and regulations. As an annual compliance measure following the [REDACTED], we will continue to communicate with our employees with regard to the employee social insurance plans and housing reserve fund, and contribute to the employee social insurance plans and housing reserve fund consistent with the standards stipulated under applicable PRC laws and regulations. See “– Internal Controls”.

### **INTERNAL CONTROLS**

Our Directors are responsible for monitoring our internal control system and for reviewing its effectiveness. In accordance with the applicable PRC and Hong Kong laws and regulations, we have implemented internal procedures. Particularly, in view of the above issues in respect of the property defects and non-compliance incidents, we will implement the following internal control procedures to ensure our compliance with legal or regulatory requirements in respect of our business operation, and to reduce our exposure to risk of penalties from the PRC regulatory authorities and cost associated in rectifying or responding to the property defects and non-compliance incidents:

- We have maintained a list of standards, licenses and filings that are required in order for us to properly operate our business and implement our expansion plan, and will update this list from time to time based on our experience with local authorities and advice from our external legal advisers.
- We will monitor the attainment of licenses and filings against the list referred to above and ensure that all relevant licenses and filings are obtained and up-to-date.
- We will regularly communicate with our employees with regard to contributions to social insurance plans and housing reserve fund, and with local labor and housing reserve fund authorities with regard to specific local practice.
- We will verify the requisite licenses, qualifications and permits of our counterparty before entering into a binding contract, and negotiate appropriate protective provisions in case our counterparty breaches its contractual obligations, including making relevant government filings.
- We will verify and require copies of the title documents of the subject properties before entering into a lease.
- We will organize internal training programs to be conducted by in-house or external experts to educate our employees on ethical business practice, including anti-bribery practice. We will initiate an investigation if we receive a report, or otherwise become aware, of any improper or suspicious conduct by our employees.

We have appointed an internal compliance officer, Mr. Sie, who directly reports to Mr. Yue, our chairman, and oversees the application and maintenance of required registrations, licenses, permits, filings and approvals for our operations. For further information on Mr. Sie’s biography, see “Director and Senior Management – Board of Directors – Executive Directors”.

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## **BUSINESS**

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In addition, we will continue to engage external professional advisers as necessary to ensure that all registrations, licenses, permits, filings and approvals are valid and that the renewals of such documents are made in a timely manner. We have also appointed KGI Capital Asia Limited as our compliance adviser with effect from the date of the [REDACTED] to advise on ongoing compliance with the GEM Listing Rules and other applicable securities laws and regulations in Hong Kong. During the Track Record Period, our Directors did not identify any material internal control weaknesses or failures. Our Directors confirm that, as of the Latest Practicable Date, none of our products or our business had been challenged or subject to any regulatory actions by any governmental authorities in any of our target markets.

### **RISK MANAGEMENT**

We are exposed to various risks during our operation. For more details, see "Risk Factors". We have implemented various policies and procedures to ensure effective risk management at each aspect of our operations, including financial reporting, information risk management and human resources management. Our Board oversees and manages the overall risks associated with our operations.

#### **Financial Reporting Risk Management**

We have adopted comprehensive accounting policies in connection with our financial reporting risk management. We provide ongoing trainings to our finance staff to ensure that these policies are well-observed and effectively implemented. As of May 31, 2016, our finance department consisted of three employees, and was headed by our financial controller, Ms. SIE Chun Yu, who has over 20 years of experience in taxation and accounting. Other senior members of our finance department are all experienced in finance and accounting.

We have established an Audit Committee, the primary duties of which are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board. See "Directors and Senior Management – Board Committees – Audit Committee".

#### **Information Risk Management**

Our operations are not involved in handling any personal data or other confidential information from the end-users. The main functions of our services and products are to monitor the performance of our customers' applications and networks and the network data collected are used to detect their traffics, system failures or other performance degradations. Therefore, it is not necessary for us, and our services and products are not capable in any event, to correlate such network data to any personal identities of the network end users. Besides, we cannot correlate the network data we gather to any personal users without having the network data deciphered by our customers' end-users personal identification server. Furthermore, most of our customers, such as the major telecommunication operators, are highly concerned of their information security and have in place a set of stringent information security regulations and established barriers to safeguard their sensitive data from any potential leakage to third parties like us. Their sensitive data are usually stored in their internal servers to which we have no access.

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Despite the fact that we do not handle personal data or other confidential information from our end-users, we have adopted measures to protect customer data, operational, financial and other confidential information and to prevent technical issues in our system. Our R&D department is responsible for protecting customer data and ensuring the stability of our system.

We have implemented a confidential information security policy, which is formulated with reference to the international standard protocol for the information security management system, that requires, among others: (1) all of our employees to keep all customer data confidential and to receive mandatory training on our information security policies and sign confidentiality, (2) to adopt security measures in the transmission, storage and disposal of customer data, (3) access to customer data to be approved and given by our general manager only to employees who require such access to carry out his or her work assignment, and all hardcopies and electronic copies of such customer data to be removed upon the completion of the relevant work assignment, (4) customer data to be used only for the purpose of providing services to the customers themselves and for product improvement purposes, and (5) that any of our channel partners who needs access to our customer data shall sign written contracts that impose obligations to comply with our information security policies, and such access shall be terminated immediately upon the completion of the relevant assignment. We have also obtained the ISO 27001:2013 information security management system certification in November 2016.

To further uphold the confidentiality of our and our customers' data, we require each of our employees to sign a confidentiality agreement with us in respect of the data accessed by our employees. We are also required to sign a non-disclosure agreement with some of our customers to confirm our compliance with their internal information security regulations. In the event that we are asked by our customers to develop our products on-sites due to their security concerns, our employees will be required to work in an enclosed area designated by our customers on-sites to avoid any information leakage according to their regulations.

We have established firewalls for all of our operating systems for our on-premises APM products. The firewalls we set up enable us to establish a secured internal network which only allows access from our customers' exclusive networks. In addition, our operating systems once deployed are regularly subject to the security scan conducted by IT security companies engaged by our customers. In respect of our cloud-based SaaS services, we intend to build them on reputable cloud-computing platforms such as Amazon Web Services and Alibaba cloud computing platforms, which we are not aware of any security breaches on such platforms.

We also use monitoring systems to monitor the data operating status of the server and alert relevant departments to abnormal situations. In addition, our daily maintenance, fire protection measures, access control system and other measures help maintain the physical condition of our network infrastructure. We also have a data back-up system through which our data is stored on servers of different locations on a weekly basis to reduce the risk of data loss. Our information technology department conducts back-up recovery tests semi-annually to examine the status of this back-up system.

During the Track Record Period, we did not experience any breach of customer data or any other confidential information related incidents which could cause a material adverse effect on our business, financial condition or results of operations. During the Track Record Period and up to the Latest Practicable Date, we did not experience any system failure that had a material adverse effect on our business and results of operations.

## **BUSINESS**

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### **Human Resource Risk Management**

We have established internal control policies covering various aspects of human resource management such as recruiting, training, work ethics and legal compliance.

We adopt high standards in recruitment with strict procedures to ensure the quality of new hiring. Moreover, we provide a mentor program for each of the fresh graduates that we hire, which we believe are effective in equipping them with the skill set and work ethics that we require of our employees. We provide specialized training tailored to the needs of our employees in different departments. We also hold weekly workshops where our development and operation staff can share their design ideas and work experience.

Our employee handbook contains summaries of the relevant laws and regulations governing our business and industry, as well as guidelines regarding best commercial practice, work ethics and the prevention of fraud, negligence and corruption. Each employee is required to provide a written confirmation that he or she understands and is committed to observing the requirements set forth in our employee handbook. We have also made available an anonymous reporting channel through which potential violation of our internal policies or illegal acts at all levels of our Group can be timely reported to the management and appropriate measures can be taken to minimize damage.

### **Ongoing Measures to Monitor the Implementation of Risk Management Policies**

Our Audit Committee and senior management monitor the implementation of our risk management policies across our Group on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our operations.

## DIRECTORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

Our Board currently consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have entered into a service agreement with each of our executive Directors. We have also entered into a letter of appointment with our non-executive Director and each of our independent non-executive Directors.

The table below shows certain information in respect of the members of our Board.

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors or senior management
Yue Yong (岳勇)	44	Chairman, executive Director and Chief Technology Officer	September 1, 2006	November 10, 2015	Responsible for the overall management and corporate policy making of the Group's business operations and in particular overseeing the engineering and technical operations as well as research and development of our Group	Nil
Sie Tak Kwan (施德群)	40	Executive Director and Chief Executive Officer	December 29, 2010	November 10, 2015	Member of the Remuneration Committee and the Nomination Committee; responsible for the overall planning, management and strategic development of and overseeing the operations of our business	Younger brother of Ms. Sie Chun Yu
Guan Haiqing (管海卿)	42	Executive Director and Chief Sales Officer	April 1, 2015	November 10, 2015	Responsible for overseeing the sales and marketing activities of our Group	Nil
Liang Judong (梁炬东)	47	Non-executive Director	January 1, 2012	November 10, 2015	Responsible for providing advice on strategic development of our Group	Nil

## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors or senior management
Cheung Hon Fai (張漢輝)	42	Independent non-executive Director	November 21, 2016	November 21, 2016	Chairman of the Audit Committee and the Nomination Committee; and member of the Remuneration Committee; supervising our Group's compliance and corporate governance matters, providing independent opinion and judgment to our Board	Nil
Lam Kin Man (林健文)	54	Independent non-executive Director	November 21, 2016	November 21, 2016	Chairman of the Remuneration Committee; and member of the Audit Committee and the Nomination Committee; supervising our Group's compliance and corporate governance matters, providing independent opinion and judgment to our Board	Nil
Shen Qi (沈奇)	41	Independent non-executive Director	November 21, 2016	November 21, 2016	Member of the Audit, Remuneration and the Nomination Committee; supervising our Group's compliance and corporate governance matters, providing independent opinion and judgment to our Board	Nil

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## DIRECTORS AND SENIOR MANAGEMENT

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### Executive Directors

**Mr. Yue Yong (岳勇)**, aged 44, was appointed as our Director on November 10, 2015 and was redesignated as our executive Director on July 28, 2016. Mr. Yue has been our Chief Technology Officer since January 18, 2016. He is responsible for the overall management and corporate policy making of the Group's business operation and in particular, overseeing the engineering and technical operations as well as research and development of our Group.

Mr. Yue obtained a bachelor's degree in information engineering and a master's degree in engineering from Xidian University (西安電子科技大學) in July 1994 and March 1997, respectively.

Mr. Yue joined our Group as the technical director in September 2006 and has over 17 years of experience in the Internet and software industry. Mr. Yue was employed as an application engineer in the Agilent Technologies Group (安捷倫科技集團), a group engaging in the provision of IT, test and measurement services, from August 1999 to December 2006. Our Group does not have any relationship with Agilent Technologies Group. There was no provision in his employment agreement with Agilent Technologies Group that restricted him from founding our Group while he was working with Agilent Technologies Group. Thus, there was no breach of his aforesaid employment agreement when he founded our Group.

**Mr. Sie Tak Kwan (施德群)**, aged 40, was appointed as our Director on November 10, 2015 and was redesignated as our executive Director and Chief Executive Officer on July 28, 2016. Mr. Sie is primarily responsible for the overall planning, management and strategic development of and overseeing the operations of our business. He has over 15 years of experience in the high-technology software solution industry and in the development of application performance management technology.

Mr. Sie graduated from the Hong Kong Polytechnic University with a bachelor's degree in electronic engineering in November 2000. He further obtained a master's degree of science in engineering (communication engineering) from the University of Hong Kong in December 2003.

Mr. Sie joined our Group as supervisor in December 2010. Prior to joining our Group, Mr. Sie worked with Agilent Technologies Hong Kong Limited (安捷倫科技香港有限公司) ("**Agilent Technologies HK**") in July 2000 as an application engineer. He left Agilent Technologies HK in November 2008 when he was the Asia Business Development Manager of its Electronic Measurements Group. As there was no provision in his employment agreement with Agilent Technologies HK that restricted him from founding our Group while he was working with Agilent Technologies HK, there was no breach of his aforesaid employment agreement when he founded our Group.

Mr. Sie was a director of Basic Value Technology Limited (基本科技有限公司) ("**Basic Value**"), which was incorporated in Hong Kong on March 22, 2002 and was deregistered on a voluntary basis on January 13, 2006 as Basic Value had never commenced business. As confirmed by Mr. Sie, Basic Value was inactive at the time when it was deregistered and there was no wrongful act on his part leading to the deregistration and he is not aware of any actual or potential claim that has been or will be made against him as a result of the deregistration.



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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Sie is the younger brother of Ms. Sie Chun Yu, our financial controller.

**Mr. Guan Haiqing (管海卿)**, aged 42, was appointed as our Director on November 10, 2015 and was redesignated as our executive Director on July 28, 2016. Mr. Guan has been our Chief Sales Officer since January 18, 2016 and has been the sales director of our Group since April 2015, responsible for overseeing the sales and marketing activities of our Group.

Mr. Guan graduated from the Shanghai Jiao Tong University (上海交通大學) with a bachelor's degree in automation in July 1995.

Mr. Guan has over 16 years of sales and marketing experience in high technology software solution enterprises. Prior to joining our Group, Mr. Guan served as a research and development engineer and a testing engineer at Shanghai Bell Alcatel Mobile Communication System Company Limited (上海貝爾阿爾卡特移動通信系統有限公司), a company primary engaging in mobile communication, IP networking, network application and management, from April 1996 to April 2000. Mr. Guan then served as a sales manager of the Agilent Technologies Group from June 2000 to April 2010. As there was no provision in his employment agreement with Agilent Technologies Group that restricted him from founding our Group while he was working with Agilent Technologies Group, there was no breach of his aforesaid employment agreement when he founded our Group. From August 2010 to June 2013, Mr. Guan worked in the sales department of JDSU Photoelectric Technology (Beijing) Co. Ltd (捷迪訊光電技術(北京)有限公司). From July 2013 to March 2015, he worked as a senior sales manager of JDSU Communication Technology (Shenzhen) Co. Ltd (Shanghai Branch) (捷迪訊通訊技術(深圳)有限公司上海分公司).

### **Non-executive Director**

**Mr. Liang Judong (梁炬東)**, aged 47, was appointed as our Director on November 10, 2015 and was redesignated as our non-executive Director on July 28, 2016. He is responsible for providing advice on the strategic development of our Group.

Mr. Liang obtained a bachelor's degree in industrial electronics and automation from the South China University of Technology (華南理工大學) in July 1991.

Mr. Liang joined our Group as a sales manager from January 2012 to March 2016 and has 18 years of sales and marketing experience. Prior to joining our Group, Mr. Liang joined the Agilent Technologies Group as its senior sales engineer from December 1997 to April 2009. As there was no provision in his employment agreement with Agilent Technologies Group that restricted him from founding our Group while he was working with Agilent Technologies Group, there was no breach of his aforesaid employment agreement when he founded our Group.



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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Liang was a supervisor of Chengdu Jujie Technology Co. Ltd (成都聚捷科技有限公司) (“**Chengdu Jujie Technology**”), a company which was established in the PRC on February 12, 2009 and was deregistered on a voluntary basis on June 13, 2011 as Chengdu Jujie Technology had never commenced its computer software and technical consultancy business as originally planned. As confirmed by Mr. Liang, Chengdu Jujie Technology was inactive at the time when it was deregistered and there was no wrongful act of his part leading to the deregistration and he is not aware of any actual or potential claim that has been or will be made against him as a result of the deregistration.

### **Independent non-executive Directors**

**Mr. Cheung Hon Fai (張漢輝)**, aged 42, has been appointed as our independent non-executive Director on November 21, 2016.

Mr. Cheung obtained a bachelor’s degree in accountancy from the Hong Kong Polytechnic University in November 1996 and a postgraduate diploma in enterprise risk management from the School of Professional and Continuing Education of the University of Hong Kong in May 2011. He is an associate member of the Hong Kong Institute of Certified Public Accountants since May 2000, a member of the Association of Chartered Certified Accountants since December 1999 and became a fellow member of the Association of Chartered Certified Accountants since December 2004. Mr. Cheung is a Certified Public Accountant in Hong Kong and is currently the Group Financial Controller of Well Capital Corporation Limited, which is principally engaged in trading.

Mr. Cheung has over 20 years of experience in accounting and finance. He worked as the accountant of Lerado Hong Kong Limited (隆成香港有限公司), a subsidiary of Lerado Financial Group Company Limited (隆成金融集團有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1225) from April 2000 to October 2000. He then served as the financial controller of EVI Education Asia Limited (EVI教育亞洲有限公司), a company previously listed on the GEM (stock code: 8090) (now known as Midland IC&I Limited (美聯工商舖有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 459)), from November 2000 to March 2006. After that, Mr. Cheung worked as the financial controller of Sincere Watch (Hong Kong) Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0444), from March 2006 to May 2008. Subsequently, he joined Shun Tak Holdings Limited (信德集團有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 242), working as a senior financial manager from May 2008 to May 2010. Between May 2010 to March 2012, Mr. Cheung worked as the Group Financial Controller of Great China of Knight Frank Petty Limited, which is a company principally engaged in the provision of real estate consultancy services.

**Professor Lam Kin Man (林健文)**, aged 54, has been appointed as our independent non-executive Director on November 21, 2016.

Professor Lam obtained a master’s degree of science in communication engineering from the Imperial College of Science and Technology of the University of London in December 1987. He further obtained a doctorate degree of philosophy from the University of Sydney in Australia in October 1996.

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## **DIRECTORS AND SENIOR MANAGEMENT**

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Professor Lam has extensive knowledge in signal processing. Since July 2010, he becomes a professor of the Electronic and Information Engineering Department in the Hong Kong Polytechnic University. From 2004 to 2012, he was actively involved in organizing various international conferences. In particular, he was the technical chairman of the 2004 International Symposium on Intelligent Multimedia, Video and Speech Processing and the technical co-chairman of the 2005 International Symposium on Intelligent Signal Processing and Communication Systems and the 2010 Pacific-Rim Conference on Multimedia. For the period of 2007 to 2008, Professor Lam was appointed as the Chairman of IEEE Hong Kong Chapter of Signal Processing. Currently, Professor Lam is a member of the Board of Governors of the Asia-Pacific Signal and Information Processing Association, being responsible for the member relations and development of the association.

**Mr. Shen Qi (沈奇)**, aged 41, has been appointed as our independent non-executive Director on November 21, 2016. Mr. Shen graduated from the China Jiliang University (中國計量大學) (formerly known as China Jiliang College 中國計量學院) with a bachelor's degree in information engineering in July 1997 and obtained another bachelor's degree in economics law from the Jilin University (吉林大學) in July 1998.

Mr. Shen was admitted as a lawyer of the PRC in May 1999. He has over 17 years of experience in legal practice.

Mr. Shen has been a partner and lawyer of Shanghai Qi Dao Law Firm (上海祺道律師事務所), since May 2013. Prior to his current position, he worked at Shanghai Xinmin Law Firm (上海市新閔律師事務所) as a lawyer from April 2003 to May 2013 and was promoted as a partner of the firm in 2008.

### **Other disclosure pursuant to Rule 17.50(2) of the GEM Listing Rules**

Save as disclosed in this document, each of our Directors confirms with respect to himself that he (i) did not hold other positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as of the Latest Practicable Date; (ii) had no other relationship with other Directors, senior management or substantial Shareholders or Controlling Shareholders of our Company as of the Latest Practicable Date; (iii) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (iv) there are no other matters concerning his appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or should be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules.

## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

The table below shows certain information in respect of members of our senior management:

Name	Age	Position	Date of joining our Group	Roles and Responsibility	Relationship with other Directors or senior management
Sie Chun Yu (施珍茹)	44	Financial Controller	July 4, 2016	Responsible for the overall management of the finance and accounting operations of our Group	Elder sister of Mr. Sie
Liu Zewei (劉澤衛)	34	Head of Research and Development	December 27, 2007	Responsible for leading the research and development department of our Group	Nil

**Ms. Sie Chun Yu (施珍茹)**, aged 44, joined our Group as our financial controller on July 4, 2016. She is primarily responsible for the overall management of the finance and accounting operations and providing financial strategic planning, budgeting and forecast to our Group. Ms. Sie has over 20 years of experience in the field of audit and financial management.

Ms. Sie obtained a bachelor's degree in business administration in accounting from the Hong Kong Baptist University in November 1995 and a master's degree in corporate finance from the Hong Kong Polytechnic University in December 2006. She is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since May 2000, a fellow member of the Association of Chartered Certified Accountants since April 2005 and a Certified Public Accountant of the CPA Australia Ltd since July 2014.

Ms. Sie started her career as the assistant accountant of Grant Thornton (均富會計師行) from July 1995 to May 1999. She then served as an audit staff at Lam, Kwok Kwan & Cheng C.P.A. Limited (林郭關鄭會計師事務所有限公司), a Certified Public Accountants firm, from October 1999 to April 2000. Later, she joined Crystal Knitters Ltd (晶苑織造廠有限公司) as its Chief Accountant in July 2000 and was promoted as an assistant finance manager and a finance manager in April 2004 and April 2005 respectively. She also served as the Acting Financial Controller of Intimate Division of Crystal Group from November 2006 to November 2007. From January 2014 to April 2016, she was a financial controller of EE Hobbies Australia Pty Ltd.

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## DIRECTORS AND SENIOR MANAGEMENT

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Ms. Sie is the elder sister of Mr. Sie, our executive Director and Chief Executive Officer.

**Mr. Liu Zewei (劉澤衛)**, aged 34, is the head of the research and development department of our Group. He is primarily responsible for leading our research and development department. Mr. Liu obtained a bachelor's degree in computer science and technology from the Shanxi University (山西大學) in July 2004. He has over 10 years of experience in the research and development of software systems. Mr. Liu joined our Group in December 27, 2007 and was promoted as our research and development director in April 2014. Prior to joining our Group, from December 2005 to September 2007, Mr. Liu worked as an engineer with Shenzhen Smartcom Business Co., Ltd (慧通商務(深圳)有限公司).

None of our senior management described above held any directorships in any public companies, the securities of which are or have been listed on any exchange in Hong Kong or overseas in the past three years immediate preceding the Latest Practicable Date.

### COMPANY SECRETARY

**Ms. Li Oi Lai (李愛麗)**, aged 43, has been appointed as our company secretary on July 20, 2016, being responsible for company secretarial work of our Group. Ms. Li is currently the manager of SW Corporate Services Group Limited (信永方圓企業服務集團有限公司). She has over 15 years of experience in auditing, accounting and company secretarial field. She obtained a bachelor's degree in commerce from the Hong Kong Shue Yan University in October 2010 and a master's degree in professional accounting from the Hong Kong Polytechnic University in November 2003. She is a member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom since October 2006, a fellow member of the Association of International Accountants since November 2014 and a fellow member of the Hong Kong Institute of Certified Public Accountants since March 2015.

### COMPLIANCE OFFICER

Mr. Sie has been appointed as the compliance officer of our Company with effect from the [REDACTED]. See "– Board of Directors – Executive Directors" for Mr. Sie's biography.

### COMPLIANCE ADVISER

Our Company has appointed KGI Capital Asia Limited as our compliance adviser with effect from the [REDACTED] pursuant to Rule 6A.19 of the GEM Listing Rules.

Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise our Company on, among other matters, the following:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

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## **DIRECTORS AND SENIOR MANAGEMENT**

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- (iii) where our Company proposes to use the proceeds of the [REDACTED] in a manner different from that detailed in this document or where the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this document; and
- (iv) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules regarding unusual movements in the price or trading volume of the Shares.

Subject to earlier termination of the compliance adviser agreement by our Company in accordance with the terms thereof and in accordance with the relevant requirements of the GEM Listing Rules, the terms of appointment of the compliance adviser shall commence on the [REDACTED] and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the [REDACTED] and such appointment may be extended by mutual agreements.

### **AUTHORIZED REPRESENTATIVES**

Mr. Sie and Ms. Li Oi Lai have been appointed as the authorized representatives of our Company under Rule 5.24 of the GEM Listing Rules. The authorized representatives will act as the principal communication channel with the Stock Exchange and will make themselves readily available in Hong Kong whenever necessary to deal with inquiries from the Stock Exchange. When the Stock Exchange contacts the authorized representatives, they will be able to contact all members of the Board immediately, ensuring an effective communication channel with the Stock Exchange.

### **BOARD COMMITTEES**

#### **Audit Committee**

We established an Audit Committee on November 21, 2016 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C3.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The Audit Committee consists of three members, all are our independent non-executive Directors, namely Mr. Cheung Hon Fai, Professor Lam Kin Man and Mr. Shen Qi. The chairman of the Audit Committee is Mr. Cheung Hon Fai. The primary duties of the Audit Committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, making recommendations to the Board on the appointment and removal of external auditors, reviewing our financial information and disclosures, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

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## **DIRECTORS AND SENIOR MANAGEMENT**

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### **Remuneration Committee**

We established a Remuneration Committee on November 21, 2016 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and paragraph B1.2 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The Remuneration Committee consists of four members, three of whom are our independent non-executive Directors namely Professor Lam Kin Man, Mr. Cheung Hon Fai and Mr. Shen Qi, and the remaining member is our executive Director, Mr. Sie. The chairman of the Remuneration Committee is Professor Lam Kin Man. The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Board regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policies; (ii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; and (iii) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

### **Nomination Committee**

We established a Nomination Committee on November 21, 2016 with written terms of reference. The Nomination Committee consists of four members, three of whom are our independent non-executive Directors namely Mr. Cheung Hon Fai, Professor Lam Kin Man and Mr. Shen Qi and, the remaining member is our executive Director, Mr. Sie. The chairman of the Nomination Committee is Mr. Cheung Hon Fai. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board annually, identify individuals suitably qualified to become Board members, assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to appointment or reappointment of Directors.

### **REMUNERATION POLICY**

Our executive Directors, who are also our employees, receive in their capacity as our employees, compensation in the form of salary and cash bonus.

After [REDACTED], the Remuneration Committee will make recommendations to our Board on the overall remuneration policy and compensation packages relating to our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, allowances and benefits in kind and discretionary bonuses which were paid by our Group to our Directors for the two years ended December 31, 2015 was approximately RMB1,458,000 and RMB1,625,000 respectively.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, allowances and benefits in kind and discretionary bonuses which were paid by our Group to the five highest paid individuals (excluding the Directors amongst the five highest paid individuals) for the two years ended December 31, 2015 was approximately RMB600,000 and RMB709,000 respectively.

## **DIRECTORS AND SENIOR MANAGEMENT**

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No remuneration was paid by the Group to our Directors, senior management or the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office in respect of the two years ended December 31, 2015. Further, none of our Directors or senior management had waived any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, allowances, benefits in kind and cash bonus) of our Directors for the year ending December 31, 2016 is estimated to be approximately RMB1,984,000.

### **SHARE OPTION SCHEME**

We have adopted the Share Option Scheme on November 21, 2016. For details of the Share Option Scheme, see Appendix IV – “Statutory and General Information – D. Other Information – 13. Share Option Scheme” to this document.



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## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

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### **OUR CONTROLLING SHAREHOLDERS**

Pursuant to the Deed of Concert Parties, Mr. Sie, Mr. Yue, Mr. Guan and Mr. Liang confirm, agree and acknowledge, among other things, that they are parties acting in concert in respect of our Group since December 29, 2010 when the entire equity interests in Vixtel Technologies were transferred to Vixtel Science. For details of the Deed of Concert Parties, see “History, Reorganization and Corporate Structure – Parties Acting in Concert”.

Immediately following completion of the [REDACTED] and the [REDACTED] (assuming that no Share is issued pursuant to the exercise of the [REDACTED] or options which may be granted under the Share Option Scheme), Cohort Investments (wholly-owned by Mr. Sie), Worldgate Ventures (wholly-owned by Mr. Yue), Copious Link (wholly-owned by Mr. Guan) and Hugemind Investments (wholly-owned by Mr. Liang) will be together interested in approximately [REDACTED]% of the entire issued share capital of our Company, with (i) Cohort Investments effectively holding approximately [REDACTED]% of the entire issued share capital of our Company; (ii) Worldgate Ventures effectively holding approximately [REDACTED]% of the entire issued share capital of our Company; (iii) Copious Link effectively holding approximately [REDACTED]% of the entire issued share capital of our Company; and (iv) Hugemind Investments effectively holding approximately [REDACTED]% of the entire issued share capital of our Company. As Mr. Sie, Mr. Yue, Mr. Guan and Mr. Liang, Cohort Investments, Worldgate Ventures, Copious Link and Hugemind Investments will collectively continue to control more than 30% of the entire issued share capital of our Company, each of them will be regarded as part of the group of our Controlling Shareholders within the meaning of the GEM Listing Rules upon [REDACTED].

### **COMPANY OWNED BY OUR CONTROLLING SHAREHOLDERS BUT NOT INCLUDED IN OUR GROUP**

Apart from our Group, our ultimate Controlling Shareholders, namely Mr. Sie (through his spouse), Mr. Yue, Mr. Guan, Mr. Liang are currently holding the entire equity interests in Vixtel Science which was established for the purpose of holding the entire equity interests in Vixtel Technologies in order to convert the same into a PRC domestic entity. Such entity was excluded from our Group after the completion of the Reorganization. Please see “History, Reorganization and Corporate Structure – Corporate History and Development” for details of the Reorganization.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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The following table summarises the major particulars of Vixtel Science:

<b>Date/Place of Incorporation:</b>	October 25, 2010/PRC
<b>Shareholders since its date of incorporation</b>	Madam Chen, the spouse of, and acting in concert with, Mr. Sie: 33.33% Mr. Yue: 33.34% (since May 28, 2012, Mr. Yue's shareholdings have been reduced from 33.34% to 33.33%) Mr. Guan: 23.33% (since May 28, 2012, Mr. Guan's shareholdings have been increased from 23.33% to 23.34%); and Mr. Liang: 10%
<b>Assets</b>	Vixtel Science does not hold any subsidiary or assets, except a small apartment in Beijing, the PRC which is occupied by Mr. Sie as his residence.
<b>Business scope stated in its business license before August 3, 2016</b>	Development of technologies, marketing of technologies, transfer of technologies, technical consultancy, technology services, computer technology training, computer systems service, data processing, basic software service, application software service, sale of electronic products, communication equipment, computer, software and ancillary equipment and investment holding.
<b>Business History</b>	Since the date of its incorporation, Vixtel Science does not have any business or operations, except holding the entire equity interests in Vixtel Technologies.
<b>Purpose of establishment</b>	Vixtel Science was established for the purpose of converting Vixtel Technologies into a PRC domestic entity in order to facilitate negotiations of potential investments in our Group from a PRC fund.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### **Scale of operation**

Since Vixtel Science does not have any business or operations, Vixtel Science did not generate any revenue. Based on the unaudited financial statements of Vixtel Science, for the Track Record Period, Vixtel Science recorded a net loss of RMB175,439, RMB288,770 and RMB94,395 respectively, arising from the payment of the annual administrative expenses.

### **Reasons for exclusion**

As Vixtel Science does not have any business activities or operations and for the purpose of preparing the [REDACTED], our Group implemented the Reorganization and excluded Vixtel Science.

### **Measures for avoidance of any potential competition**

To distinguish the business scope of Vixtel Science in its business license from that of our Group, on August 3, 2016, Vixtel Science changed the scope of its business in its business license to investment holding and technical consultancy.

To avoid any potential competition between Vixtel Science and the Group in the future, our Controlling Shareholders have also executed the Deed of Non-Competition in favor of our Company, pursuant to which each of them has irrevocably and unconditionally undertaken to and covenanted with our Company that they will not, and will procure each of their respective associates not to, directly or indirectly participate in, or hold any right or interest or otherwise be involved in, any business which may be in competition with our Group's core business.

### **Legal and compliance**

Our PRC legal advisers have confirmed that Vixtel Science has not been subject to any material non-compliance incidents, claims, litigation or legal proceedings during the Track Record Period and up to the date of this document.

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## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

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### **RULE 11.04 OF THE GEM LISTING RULES**

Each of our Controlling Shareholders, our Directors, our substantial Shareholders and their respective close associates does not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

### **INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS**

Our Directors consider that our Group is capable of carrying on our business independent of and without undue reliance on our Controlling Shareholders and their respective close associates after the [REDACTED] based on the following reasons:

#### **Management independence**

Our management and operational decisions are made by the Board and senior management. The Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. Although Mr. Sie, Mr. Yue, Mr. Guan and Mr. Liang who are our ultimate Controlling Shareholders also hold directorships in our Company, we consider that our Board and senior management will function independently from our Controlling Shareholders because:

- (a) three of the members of our Board are independent non-executive Directors who are well-educated and have extensive experience in different areas or professions. Our Directors believe that there is a strong element on our Board which can effectively exercise independent judgment in order to address any situations of conflict of interest and to protect the interests of the independent Shareholders;
- (b) each Director is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;
- (c) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in forming quorum; and
- (d) all our senior management members except Ms. Sie Chun Yu, who is the elder sister of Mr. Sie, are independent from our Controlling Shareholders.

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## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

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### **Operational independence**

Our Group has sufficient capital, facilities and work force to carry out its operation and has not shared its operation team with our Controlling Shareholders' business outside our Group. Although during the Track Record Period, there have been certain transactions between our Group and the related parties, details of which are set out in Note 24 to the Accountants' Report in Appendix I to this document, the Directors have confirmed that those related party transactions were conducted in the ordinary course of business and on normal commercial terms. None of the historical related party transactions are expected to continue after the [REDACTED].

Having considered that (i) our Group has not shared the operational resources, such as marketing, sales and general administration resources with our Controlling Shareholders and/or their close associates; and (ii) our Controlling Shareholders have no interest in any of the top five customers, the Directors are of the view that our Group can operate independently from our Controlling Shareholders from the operational perspective.

### **Financial independence**

Our Group has its own financial management and accounting systems, accountant and administration department and independent treasury functions, and we make financial decision according to our own business needs.

All the amounts due to our Directors, Controlling Shareholders and their associates, were settled in full before the [REDACTED].

Having considered the above factors, our Directors consider that we have no financial dependence on our Controlling Shareholders.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### NON-COMPETITION UNDERTAKING

Our Controlling Shareholders as covenantors (each of them, a “**Covenantor**” and collectively, the “**Covenantors**”) executed the Deed of Non-competition in favor of our Company (for itself and as trustee for and on behalf of our subsidiaries).

In accordance with the Deed of Non-competition, each Covenantor undertakes that, from the [REDACTED] and ending on the occurrence of the earliest of (i) the date on which the Shares cease to be [REDACTED] on GEM (except for temporary suspension of the Shares due to any reason); or (ii) the date on which the Covenantors and their associates and/or successors (taken as a whole) cease to own 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as Controlling Shareholders of our Company:

#### 1. Non-competition

Each Covenantor jointly, severally and irrevocably undertakes to our Company (for itself and as trustee of its subsidiaries) that, commencing on the [REDACTED], for so long as he/it and/or his/its associates, directly or indirectly, whether individually or taken together, remain to be the Controlling Shareholder, he/it will not and will procure his/its associates (excluding any members of our Group) not to directly or indirectly, among other things, carry on, participate, engage or otherwise be interested in any business in anywhere or place which is or may be in competition with the business of any members of our Group from time to time (the “**Restricted Business**”).

Our Company shall procure the independent non-executive Directors to review, on an annual basis, whether there are any conflicts of interests between our Group and the Covenantors to ensure compliance with the Deed of Non-competition and to provide impartial and professional advice to protect the interest of our minority Shareholders.

Each of the Covenantors jointly and severally undertakes to indemnify and keep indemnified our Company (for itself and as trustee of its subsidiaries) against any loss, damages, costs, charges and expenses that may be suffered by any member of our Group in connection with the breach of any undertakings or obligations by any of the Covenantors.

#### 2. New business opportunity

If any Covenantor and/or his/its associates (excluding any members of our Group) (collectively the “**Offeror**”) is offered or becomes aware of any business opportunity directly or indirectly to engage in or own the Restricted Business (the “**New Business Opportunity**”):

- (a) the Covenantor shall promptly notify our Company of such New Business Opportunity in writing and refer the same to our Company for consideration; and

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (b) the Covenantor shall procure the Offeror not to invest or participate in any New Business Opportunity, unless such New Business Opportunity is rejected by the independent committee of our Board comprising our independent non-executive Directors from time to time who do not have any material interest in the Restricted Business and/or the New Business Opportunity (the "**Independent Board Committee**") and the principal terms of which the Offeror invest or participate in are no more favorable than those made available to our Company.

The Offeror may only engage in the New Business Opportunity if a notice is received from our Independent Board Committee confirming that the New Business Opportunity is not accepted by our Company and/or does not constitute competition with the Restricted Business.

### 3. Corporate governance measures

In order to ensure the performance of the above non-competition undertakings, the Covenantors shall:

- (a) when required by our Company, provide all information necessary for the Independent Board Committee to conduct annual review and the enforcement of all undertakings, representations and warranty contained in the Deed of Non-Competition;
- (b) procure our Company to disclose, from time to time, information on the New Business Opportunity, including but not limited to disclosing through our annual reports or announcements the decision of our Independent Board Committee to pursue or decline the New Business Opportunity, together with the reason in case of decline;
- (c) procure our Company to disclose to the public either in the annual, interim or quarterly report of our Company or issuing a public announcement in relation to any decisions made by our Independent Board Committee with regard to the compliance with the GEM Listing Rules and the terms of the Deed of Non-competition and the enforcement thereof;
- (d) where our Independent Board Committee shall deem fit, make a declaration in relation to the compliance with the terms of the Deed of Non-competition in the annual, interim or quarterly report of our Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-competition and the enforcement of it are in accordance with the requirements of the GEM Listing Rules; and
- (e) during the period when the Deed of Non-competition is in force, fully and effectually indemnify our Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of such Covenantor of any statement, warranty or undertaking made under the Deed of Non-competition.

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## SHARE CAPITAL

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### SHARE CAPITAL

The authorized and issued share capital of our Company immediately following the completion of the [REDACTED] (without taking into account any Shares which may be allotted and issued upon the exercise of the [REDACTED] or the options which may be granted under the Share Option Scheme) will be as follows:

*Authorized share capital:*

		HK\$
<u>20,000,000,000</u>	Shares	<u>200,000,000.00</u>

*Issued share capital*

9,659,540	Shares in issue as of the date of this document	96,595.40
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
<u>[REDACTED]</u>	Shares to be issued pursuant to the [REDACTED]	<u>[REDACTED]</u>
<u>[REDACTED]</u>	Total Shares issued and to be issued upon completion of the [REDACTED] and the [REDACTED]	<u>[REDACTED]</u>

### ASSUMPTIONS

The above table assumes that the [REDACTED] and the [REDACTED] become unconditional and the issue of Shares pursuant thereto are made as described herein. It takes no account of Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates as described below.

Assuming the [REDACTED] is exercised in full, then [REDACTED] additional Shares will be issued. In such circumstances, the issued share capital of our Company immediately after completion of the [REDACTED] and the [REDACTED] will be HK\$[REDACTED] divided into [REDACTED] Shares.

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of [REDACTED] and at all times thereafter, our Company must maintain the "minimum prescribed percentage" of 25% of the total issued share capital of our Company in the hands of the public (as defined in GEM Listing Rules).



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## SHARE CAPITAL

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### RANKING

The [REDACTED] will rank pari passu in all respects with all other Shares now in issue or to be allotted and issued as mentioned in this document, and will qualify in full for all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this document save for any entitlement under the [REDACTED].

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on November 21, 2016, the principal terms of which are summarized in Appendix IV – “Statutory and General Information – D. Other Information – 13. Share Option Scheme” to this document.

[REDACTED]

Pursuant to the written resolutions of the Shareholders passed on November 21, 2016, subject to the share premium account of our Company being credited as a result of the issue of the [REDACTED] pursuant to the [REDACTED], our Directors are authorized to allot and issue a total of [REDACTED] Shares credited as fully paid at par to the holders of Shares on the register of members of our Company at the close of business on November 21, 2016 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of [REDACTED] of the sum of HK\$[REDACTED] standing to the credit of the share premium account of our Company and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares (other than the right to participate in the [REDACTED]).

### GENERAL MANDATE TO ISSUE NEW SHARES

Subject to the [REDACTED] becoming unconditional, the Directors have been granted a general unconditional mandate to allot, issue and deal with the unissued Shares with an aggregate nominal value of not more than [REDACTED]% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the [REDACTED] and the [REDACTED] (excluding Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme) and the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described below.

The Directors may, in addition to the Shares which they are authorized to issue under the mandate, allot, issue and [REDACTED] the Shares pursuant to a rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share scheme or similar arrangement for the time being adopted by our Company or any Shares allotted in lieu of the whole or part of a dividend on shares of our Company in accordance with the Articles of Association or pursuant to a specific authority granted by the Shareholders in general meeting or pursuant to the [REDACTED] and the [REDACTED].

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## SHARE CAPITAL

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This general mandate shall remain in effect until the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or
- (iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of the general mandate, see Appendix IV – “Statutory and General Information – A. Further Information about our Group – 3. Written Resolutions of the Shareholders” to this document.

### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than [REDACTED]% of the aggregate nominal amount of the Shares issued and to be issued immediately following the completion of the [REDACTED] and the [REDACTED] (excluding Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme).

This general mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are [REDACTED] (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the GEM Listing Rules and all applicable laws. A summary of the relevant requirements in the GEM Listing Rules is set out in Appendix IV – “Statutory and General Information – A. Further Information about our Group – 6. Securities repurchase mandate” to this document.

This mandate shall remain in effect until the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or
- (iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of the general mandate for the repurchase of Shares, see Appendix IV – “Statutory and General Information – A. Further Information about our Group – 6. Securities repurchase mandate” to this document.

## **SHARE CAPITAL**

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### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

For details of circumstances under which our Shareholders' general meeting and class shareholders' general meeting are required, see Appendix III – "Summary of the Constitution of the Company and Cayman Islands Company Law – 2. Articles of Association – (c) Alterations to constitutional documents and the Company's name; (a)(iii) Alteration of capital; (d)(v) Quorum for meetings and separate class meetings; and (f) Dividends and other methods of distribution; and (i) Procedures on liquidation" to this document.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware of, immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account of any Share which may be issued upon exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme), each of the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name	Capacity/Nature of Interest	Immediately upon the completion of the [REDACTED] and the [REDACTED]	
		Number of Shares (Note 1)	Approximate Percentage of Shareholding
Worldgate Ventures (Notes 2 and 3)	Beneficial owner	[REDACTED]	[REDACTED]
Mr. Yue (Notes 2 and 3)	Interest in controlled corporation; interest held jointly with another person	[REDACTED]	[REDACTED]
Madam Li Duan (李端) (“Madam Li”) (Note 4)	Interest of spouse	[REDACTED]	[REDACTED]
Cohort Investments (Notes 2 and 5)	Beneficial owner	[REDACTED]	[REDACTED]
Mr. Sie (Notes 2 and 5)	Interest in controlled corporation; interest held jointly with another person	[REDACTED]	[REDACTED]
Madam Chen (Note 6)	Interest of spouse	[REDACTED]	[REDACTED]
Copious Link (Notes 2 and 7)	Beneficial owner	[REDACTED]	[REDACTED]
Mr. Guan (Notes 2 and 7)	Interest in controlled corporation; interest held jointly with another person	[REDACTED]	[REDACTED]
Madam Gu Wei (顧維) (“Madam Gu”) (Note 8)	Interest of spouse	[REDACTED]	[REDACTED]

## SUBSTANTIAL SHAREHOLDERS

Name	Capacity/Nature of Interest	Immediately upon the completion of the [REDACTED] and the [REDACTED]	
		Number of Shares (Note 1)	Approximate Percentage of Shareholding
Hugemind Investments (Notes 2 and 9)	Beneficial owner	[REDACTED]	[REDACTED]
Mr. Liang (Notes 2 and 9)	Interest in controlled corporation; interest held jointly with another person	[REDACTED]	[REDACTED]
Madam Bai Xiaoqian (白曉倩) (“Madam Bai”) (Note 10)	Interest of spouse	[REDACTED]	[REDACTED]
Sino Impact BVI (Note 11)	Beneficial owner	[REDACTED]	[REDACTED]
Mr. Kwan Shan (Note 11)	Interest in controlled corporation; interest of spouse	[REDACTED]	[REDACTED]
Ms. Tam Suk Fan Sindy (Note 11)	Interest in controlled corporation; interest of spouse	[REDACTED]	[REDACTED]

*Notes:*

- (1) The letter “L” denotes the entity/person’s long position in the Shares.
- (2) Pursuant to the Deed of Concert Parties, Mr. Sie, Mr. Yue, Mr. Guan and Mr. Liang confirm, agree and acknowledge, among other things, that they are parties acting in concert in respect of our Group since December 29, 2010 when the entire equity interests in Vixtel Technologies were transferred to Vixtel Science, details of which are set out in “History, Reorganization and Corporate Structure – Parties acting in concert” of this document. As such, pursuant to the parties acting in concert arrangement, each of our ultimate Controlling Shareholders, i.e. Mr. Sie, Mr. Yue, Mr. Guan and Mr. Liang, is deemed to be interested in [REDACTED]% of the issued share capital of the Company.
- (3) Shares in which Mr. Yue is interested consist of (i) [REDACTED] Shares held by Worldgate Ventures, a company wholly-owned by him, in which Mr. Yue is deemed to be interested under the SFO; and (ii) [REDACTED] Shares in which Mr. Yue is deemed to be interested as a result of being a party acting-in-concert with Mr. Sie, Mr. Guan and Mr. Liang.
- (4) Madam Li is the spouse of Mr. Yue. Under the SFO, Madam Li is deemed to be interested in the same number of Shares in which Mr. Yue is interested.
- (5) Shares in which Mr. Sie is interested consist of (i) [REDACTED] Shares held by Cohort Investments, a company wholly-owned by him, in which Mr. Sie is deemed to be interested under the SFO; and (ii) [REDACTED] Shares in which Mr. Sie is deemed to be interested as a result of being a party acting-in-concert with Mr. Yue, Mr. Guan and Mr. Liang.

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## SUBSTANTIAL SHAREHOLDERS

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- (6) Madam Chen is the spouse of Mr. Sie. Under the SFO, Madam Chen is deemed to be interested in the same number of Shares in which Mr. Sie is interested.
- (7) Shares in which Mr. Guan is interested consist of (i) [REDACTED] Shares held by Copious Link, a company wholly-owned by him, in which Mr. Guan is deemed to be interested under the SFO; and (ii) [REDACTED] Shares in which Mr. Guan is deemed to be interested as a result of being a party acting-in-concert with Mr. Sie, Mr. Yue and Mr. Liang.
- (8) Madam Gu is the spouse of Mr. Guan. Under the SFO, Madam Gu is deemed to be interested in the same number of Shares in which Mr. Guan is interested.
- (9) Shares in which Mr. Liang is interested consist of (i) [REDACTED] Shares held by Hugemind Investments, a company wholly-owned by him, in which Mr. Liang is deemed to be interested under the SFO; and (ii) [REDACTED] Shares in which Mr. Liang is deemed to be interested as a result of being a party acting-in-concert with Mr. Sie, Mr. Yue and Mr. Guan.
- (10) Madam Bai is the spouse of Mr. Liang. Under the SFO, Madam Bai is deemed to be interested in the same number of Shares in which Mr. Liang is interested.
- (11) Mr. Kwan Shan and Ms. Tam Suk Fan Sindy, each holds 50% of Sino Impact BVI, which directly holds [REDACTED] Shares. By virtue of the SFO, Mr. Kwan Shan and Ms. Tam Suk Fan Sindy are deemed to be interested in the [REDACTED] Shares in which Sino Impact BVI is interested.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account of any Share which may be issued upon exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme), have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and any other member of our Group.

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*You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our combined financial statements as of and for each of the years ended December 31, 2014, 2015 and the five months ended May 31, 2016 and related notes in the Accountants’ Report included in Appendix I to this document which have been prepared in accordance with HKFRSs. You should read the whole of the Accountants’ Report included in Appendix I to this document and not rely merely on the information contained in this section.*

*The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results and the timing of selected events could differ significantly from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this document. Our historical results are not necessarily indicative of the results that may be expected of us for any future period.*

### OVERVIEW

We are a market leader in China’s APM industry. According to the F&S Report, in terms of the contract value in 2015, we are the third largest APM products and services provider in China with a market share of approximately 10.4%, and the largest on-premise APM products and services<sup>1</sup> provider in China with a market share of approximately 24.0%. According to the F&S Report, we are also the only China-based APM products and services provider which provides solutions to a commodity exchange in China.

Our revenue increased from approximately RMB41.0 million in 2014 to approximately RMB51.5 million in 2015, representing a year-over-year growth rate of approximately 25.6%. Our revenues for the five months ended May 31, 2015 and 2016 were approximately RMB18.6 million and RMB26.0 million, respectively, representing a period-over-period growth rate of approximately 39.8%. Our gross profit increased from approximately RMB23.7 million in 2014 to approximately RMB31.2 million in 2015, representing a year-over-year growth rate of approximately 31.6%. Our gross profit for the five months ended May 31, 2015 and 2016 was approximately RMB11.0 million and approximately RMB15.2 million, respectively, representing a period-over-period growth rate of approximately 38.2%.

<sup>1</sup> The APM market contains two segments, on-premise APM services and SaaS-based APM services. In the year of 2015, the SaaS-based APM market occupied approximately 56.6% of the whole APM market, while on-premise APM stood for approximately 43.4%. See “Industry Overview” for more details.

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### **KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

The following factors have affected and will continue to affect our financial condition and results of operations, which may also influence our direction and prospects in the future:

#### **General Economic Environment**

Our results of operations are affected by general conditions that typically affect the APM industry in China, including prevailing economic condition, the increasing expectations for informatization, changing management practices and customer demand. The APM market in China has a relatively short history and has experienced rapid growth in recent years. See “Industry Overview” for more details. Changes in the factors that lead to growth in our industry would have significant impact on our business and prospects. We rely on the future growth of the APM market in China, which may in turn depend on the profitability, liquidity, business outlook of our customers, in particular SMEs, and their willingness to invest in networks and applications management. Due to uncertain global economic conditions and the slower economic growth in China, our customers may reduce their spending on networks and applications management. See “Risk Factors – Risks Relating to Our Business and Industry – If we fail to adapt and respond effectively to rapidly changing technology, evolving industry standard, and changing customer needs, requirements, or preferences, our products and services may become less competitive”.

#### **Our Relationship with the China’s Largest Telecom Group**

Our revenue generated from the provincial subsidiaries of the China’s Largest Telecom Group in aggregate amounted to approximately RMB33.7 million, RMB37.4 million and RMB18.5 million in 2014, 2015 and for the five months ended May 31, 2016, respectively, which accounted for approximately 82.2%, 72.6% and 71.4% of our total revenue for the corresponding periods. Despite the fact that each provincial subsidiary is run independently from each other, there is no assurance that there will be no deterioration in our relationship with the China’s Largest Telecom Group as a whole or each subsidiary will not terminate the agreements with our Group in the future. For more details, see “Business – Our Customers – Our Relationship with the China’s Largest Telecom Group”.

#### **Our Ability to Design and Develop New Products and Services**

The APM industry in China is characterized by continuous advancement in technology. As a result, our long-term growth prospects will depend on our ability to design and develop new products and services that respond to market demand. We seek to strengthen our R&D capability continuously by maintaining a R&D team with relevant skills and expertise. Our R&D department accounted for approximately 55.2% of our total staff as of May 31, 2016. We have increased our total R&D investment to develop cloud-based platform and big data technology. R&D costs are expensed as incurred. Our total R&D expenses were approximately RMB4.7 million, RMB4.0 million and RMB1.4 million in 2014, 2015 and the five months ended May 31, 2016, respectively. See “– Combined Statements of Profit or Loss and Other Comprehensive Income – R&D Expenses” for more details. Our future success will rely on our ability to recruit, retain and motivate skilled R&D staff.



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### **Market Acceptance of our APM Products and Services in China**

The APM market in China is not as mature as those overseas, and it is uncertain whether APM products and services, especially in industries other than telecommunications, will achieve and sustain high levels of market demand and acceptance. The success of our business will depend on, to a large extent, the pace at which companies, in particular SMEs, in China become familiar with our APM products and services and accept APM products and services for their networks and applications management. For more information, see "Risk Factors – Risks Relating to Our Business and Industry – If the APM market develops slower than we expect, our prospects could be materially and adversely affected". If market acceptance is slower than expected, we may not realize the full benefits of our investments in our APM products and services or may need to spend more on advertising to increase customer awareness and market acceptance.

### **Labor Costs**

The rising cost of talent in the APM industry, which was attributable to the growing competition for talent, has led to higher labor costs, which constitutes our largest segment of cost of sales. In 2014, 2015 and the five months ended May 31, 2016, labor costs among our cost of sales accounted for approximately 18.3%, 22.1% and 24.5% of our total revenue, respectively, due to increased headcount and compensation base. As salaries arise, our results of operations will be materially and adversely affected if we are not able to increase our revenue or employee productivity correspondingly to offset higher salaries.

### **Competition**

The APM market in China is highly competitive and subject to changing technology and customer needs and frequent introductions of new products and services. We compete primarily with other domestic APM products and services providers in China. We believe that competition in the growing market of APM in China will intensify as other players in the software and IT services industry in China are entering. The competitive landscape for APM market can shift rapidly as new competitors may enter into the market. Our results of operations will continue to be affected by our ability to maintain our competitive advantages and effectively compete with other industry players in China. See "Business – Competition" for more details.

### **Timing of Our Cash Flow and Revenue Recognition**

We recognize revenue and cost in our system integration and software development contracts with reference to the percentage of completion of the relevant project, which may not closely correspond to the cash flows we receive and are driven by the terms of our contracts.

Our system integration and software development contracts include schedules of progress billings, according to which our customer would issue a form of acceptance based on project milestones or periodically, acknowledging the progress of our ongoing projects in the current period. Prior to reaching project billing milestone, we recognize revenue and corresponding

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receivable under amounts due from contract customers based on the percentage of completion. Once a form of acceptance is obtained, our finance department issues invoice to our customer based on the pre-agreed installment payment amount under such contract, such amount will be transferred from amount due from contract customers to trade receivables until payment is made to us. As such, progress billings and customer settlement are not directly related to the percentage of completion.

According to our accounting policies, where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the balance is treated as an amount due from contract customers; where progress billings exceeded costs incurred plus recognized profits less recognized losses, the balance is treated as an amount due to contract customers. Our customers typically issue forms of acceptance to us after we pass the tests following billing milestones. It usually takes 30 to 90 days for initial stage tests and over 180 days for final stage tests. After the tests, our customers generally take approximately 30 to 90 days to confirm the progress of projects before they issue forms of acceptance. As a result, immediately after a project's principal development phase, when our recognized revenue typically exceeds our progress billing, we tend to experience higher levels of amounts due from contract customers. Amounts due from a contract customer may not be matched by cash flow until the project is completed whom all billing milestones have been reached.

### **Seasonality**

Our business generally experiences some effects of seasonal variations. We generally achieve higher sales of our products and services in the first and fourth quarters as compared to the second and third quarters when our customers, particularly the state-owned enterprises, tend to place more orders around the end of their fiscal years primarily due to their annual budget schemes. As such, our revenues for the first and fourth quarters are generally higher than those of the other two quarters in a given year. However, our revenues also fluctuate due to other factors affecting our income such as the general economic environment in China. The seasonality changes may cause fluctuations in our financial results and any occurrence that disrupts our business during our busy seasons could have a disproportionately material adverse effect on our liquidity and results of operations.

### **BASIS OF PRESENTATION**

Our Company was incorporated in the Cayman Islands on November 10, 2015 as an exempted company with limited liability. Pursuant to the Reorganization, our Company became the holding company of the companies comprising our Group on May 17, 2016. Our Group, including the Company and its subsidiaries resulting from the Reorganization, is regarded as a continuing entity and our combined financial statements are prepared as if the current group structure had been in existence through the Track Record Period, or since the respective dates of incorporation or acquisition of the relevant entity where this is a shorter period. For details of the Reorganization, see "History, Reorganization and Corporate Structure".

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The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period and the combined balance sheets as of December 31, 2014, 2015 and May 31, 2016 are prepared as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation or acquisition of the relevant entity, as applicable. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

We have identified certain accounting policies and estimates that are significant to the preparation of our financial statements. Our significant accounting policies and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in details in Notes II and III to the Accountants' Report included in Appendix I to this document. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgment relating to accounting items. In each case, the determination of these items requires management judgment based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (1) our selection of critical accounting policies, (2) the judgment and other uncertainties affecting the application of such policies, and (3) the sensitivity of reported results to changes in conditions and assumptions. We believe the significant accounting policies of "Revenue Recognition", "Construction Contracts", "Government Grants", "Research and development costs", "Income Tax", and significant accounting estimates of "Current and Deferred Tax", "Percentage of Completion of Construction Works" and "Impairment for Trade Receivable" as set forth in details in Notes II to the Accountants' Report included in Appendix I to this document, are critical and involve the most significant estimates and judgment used in the preparation of our financial statements.

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### COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of our combined statements of profit or loss and other comprehensive income for the periods indicated.

	Year ended December 31, 2014		2015		Five months ended May 31, 2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)							
<b>Revenue</b>	40,991	100.0	51,529	100.0	18,618	100.0	25,968	100.0
Cost of sales	(17,275)	(42.1)	(20,328)	(39.4)	(7,582)	(40.7)	10,757	(41.4)
<b>Gross profit</b>	23,716	57.9	31,201	60.6	11,036	59.3	15,211	58.6
Other income and gains	1,037	2.5	4,485	8.7	1,512	8.1	980	3.8
Selling and distribution expenses	(4,334)	(10.6)	(5,486)	(10.6)	(2,204)	(11.8)	(2,715)	(10.5)
R&D expenses	(4,725)	(11.5)	(3,953)	(7.7)	(1,277)	(6.9)	(1,393)	(5.4)
Administrative expenses								
– [REDACTED]	–	–	–	–	–	–	(3,765)	(14.5)
– Other administrative expenses	(3,787)	(9.2)	(4,507)	(8.7)	(2,454)	(13.2)	(1,520)	(5.9)
Finance costs	(251)	(0.6)	(182)	(0.4)	(108)	(0.6)	(8)	(0.0)
<b>Profit before tax</b>	11,656	28.4	21,558	41.8	6,505	35.0	6,790	26.1
Income tax expenses	(1,885)	(4.6)	(3,227)	(6.3)	(1,001)	(5.4)	(1,435)	(5.5)
<b>Profit for the year</b>	<u>9,771</u>	<u>23.8</u>	<u>18,331</u>	<u>35.6</u>	<u>5,504</u>	<u>29.6</u>	<u>5,355</u>	<u>20.6</u>

### Revenue

During the Track Record Period, we generate revenue primarily from our APM product and service offerings, including primarily (1) system integration services, (2) software development services, (3) technical services, and (4) sales of standard hardware and software. For 2014, 2015 and the five months ended May 31, 2016, our total revenue was approximately approximately RMB41.0 million, RMB51.5 million and RMB26.0 million, respectively. The following table sets forth the components of our revenue for the periods indicated.

	Year ended December 31, 2014		2015		Five months ended May 31, 2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)							
System integration services	24,912	60.8	26,740	51.9	9,487	51.0	20,079	77.3
Software development services	5,852	14.3	6,994	13.6	3,863	20.7	2,559	9.9
Technical services	9,386	22.9	15,080	29.3	4,177	22.4	2,204	8.5
Sales of standard hardware and software	841	2.0	2,715	5.2	1,091	5.9	1,126	4.3
<b>Total</b>	<u>40,991</u>	<u>100.0</u>	<u>51,529</u>	<u>100.0</u>	<u>18,618</u>	<u>100.0</u>	<u>25,968</u>	<u>100.0</u>

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All of our revenue during the Track Record Period was derived from China. Sales of our products and services are diversified across different regions in China. The following is a breakdown of our revenue by geographic region based on the place of incorporation of our customers for the periods indicated.

	Year ended December 31,		Year ended December 31,		Five months ended May 31,		Five months ended May 31,	
	2014	2015	2014	2015	2015	2016	2015	2016
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)							
North China <sup>(1)</sup>	12,564	30.6	12,293	23.8	5,936	31.9	12,669	48.8
East China <sup>(2)</sup>	6,891	16.8	9,474	18.4	2,844	15.3	1,057	4.1
South China <sup>(3)</sup>	13,808	33.7	18,753	36.4	7,283	39.1	6,393	24.6
Northwest China <sup>(4)</sup>	7,728	18.9	11,009	21.4	2,555	13.7	5,849	22.5
<b>Total</b>	<b>40,991</b>	<b>100.0</b>	<b>51,529</b>	<b>100.0</b>	<b>18,618</b>	<b>100.0</b>	<b>25,968</b>	<b>100.0</b>

(1) North China includes Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia Autonomous Regions, Liaoning, Jilin and Heilongjiang.

(2) East China includes Shanghai, Zhejiang, Jiangsu, Anhui, Jiangxi, Shandong and Fujian.

(3) South China includes Guangdong, Guangxi, Hainan, Henan, Hubei and Hunan.

(4) Northwest China includes Shaanxi, Gansu, Xinjiang Autonomous Regions, Ningxia Autonomous Regions, Qinghai, Chongqing, Yunnan, Guizhou, Tibet and Sichuan.

We have been providing system integration services since our inception and have since developed a full spectrum of solutions to manage and monitor our customers' application and networks. Our system integration services normally include initial evaluation, software design and development and integration of our products with our customers' systems and networks. Our revenue from system integration services increased from approximately RMB24.9 million in 2014 to approximately RMB26.7 million in 2015. The growth was primarily due to an expansion of our customer base, as we gradually gained more publicity through our increasing marketing efforts and word-of-mouth references among customers regarding our high quality services. For the five months ended May 31, 2015 and 2016, our revenue from system integration services increased from approximately RMB9.5 million to approximately RMB20.1 million, primarily due to an expansion of our customer base to cover more customers in the telecommunications industry as well as radio and television industry, as a result of our continuing marketing efforts and word-of-mouth references among our customers. System integration services were our largest source of revenue during the Track Record Period, representing approximately 60.8%, 51.9% and 77.3% of our total revenue for 2014, 2015 and the five months ended May 31, 2016, respectively.

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We also derived a large portion of revenue from our software development services, which typically involve developing customized supporting software for upgrade and expansion of the APM products already integrated with our customers' systems and networks. Our revenue from software development services increased from approximately RMB5.9 million in 2014 to approximately RMB7.0 million in 2015, primarily due to the expansion of our customer base and our marketing efforts. For the five months ended May 31, 2015 and 2016, our revenue from software development services decreased from approximately RMB3.9 million to approximately RMB2.6 million because we allocated more resources to promote new products and technologies for our system integration services. Software development services represented approximately 14.3%, 13.6% and 9.9% of our total revenue for 2014, 2015 and the five months ended May 31, 2016, respectively.

Technical services contributed a fairly significant portion of our revenue during the Track Record Period. Our technical services typically involve technical support following our customers' purchase of our APM products. Our revenue from technical services increased from approximately RMB9.4 million in 2014 to approximately RMB15.1 million in 2015, primarily due to higher customer demand for our technical support in, for instance, operation support of our APM products, system maintenance, network analysis and optimization, and study of specific topics related to network and application performance, following the increased sale of our APM products previously. For the five months ended May 31, 2015 and 2016, our revenue from technical services decreased from approximately RMB4.2 million to approximately RMB2.2 million because we allocated more resources to promote new products and technologies for our system integration services. Our technical services represented approximately 22.9%, 29.3% and 8.5% of our total revenue for 2014, 2015 and the five months ended May 31, 2016, respectively.

Our sales of standard hardware and software also generated revenue during the Track Record Period. The increase of revenue generated from sales of standard hardware and software of approximately RMB1.9 million in 2015 reflected the increased in demand for our products as we gradually gained more publicity in the market and our effort to diversify our standard hardware and software products offerings to meet the needs of SMEs and the revenue remained relatively stable in the five months ended May 31, 2016 compared to the same period in 2015. Our revenue from standard hardware sales and basic software sales was approximately RMB0.8 million, RMB2.7 million and RMB1.1 million in 2014, 2015 and the five months ended May 31, 2016, respectively, accounting for approximately 2.1%, 5.3% and 4.3% of our total revenue for the same periods, respectively.

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### Cost of Sales

Our cost of sales consists of labor costs, hardware costs, travel expenses, rental expenses and depreciation and amortization. For 2014, 2015 and the five months ended May 31, 2016, our cost of sales was approximately RMB17.3 million, RMB20.3 million and RMB10.8 million, respectively, representing approximately 42.1%, 39.4% and 41.4% of our revenue for the same periods, respectively. The increase in our cost of sales during the Track Record Period was generally consistent with the increase in our revenue, which was driven primarily by higher labor costs from increased headcount and compensation base, partially offset by lower hardware costs due to our adoption of portable agents for our APM products in 2015, which cost less than rackmount agents. As technology advances, we have gradually adopted more portable agents for our APM products as they are smaller and can be deployed at households and communities which are closer to the end users.

The following table sets forth a breakdown of our cost of sales by service type for the periods indicated.

	Year ended December 31, 2014		2015		Five months ended May 31, 2015		2016		
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	
System integration services	11,081	64.1	11,182	55.0	4,206	55.5	9,264	86.1	
Software development services	1,563	9.1	2,255	11.1	1,380	18.2	810	7.5	
Technical services	4,137	23.9	6,135	30.2	1,866	24.6	387	3.6	
Sales of standard hardware and software	494	2.9	756	3.7	130	1.7	296	2.8	
<b>Total</b>	<b>17,275</b>	<b>100.0</b>	<b>20,328</b>	<b>100.0</b>	<b>7,582</b>	<b>100.0</b>	<b>10,757</b>	<b>100.0</b>	

The following table sets forth the components of our cost of sales for the periods indicated.

	Year ended December 31, 2014		2015		Five months ended May 31, 2015		2016		
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	
Labor costs	7,494	43.4	11,368	56.0	3,971	52.4	6,363	59.2	
Hardware costs	8,659	50.1	7,871	38.8	3,218	42.4	3,874	36.0	
Travel expenses	581	3.4	508	2.6	213	2.8	121	1.1	
Rental expenses	383	2.2	468	2.4	131	1.7	337	3.1	
Depreciation and amortization	158	0.9	113	0.2	49	0.7	62	0.6	
<b>Total</b>	<b>17,275</b>	<b>100.0</b>	<b>20,328</b>	<b>100.0</b>	<b>7,582</b>	<b>100.0</b>	<b>10,757</b>	<b>100.0</b>	



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During the Track Record Period, labor costs and hardware costs were the principal types of cost of sales. Our labor costs primarily consist of salaries, bonuses and social insurance benefits paid to our employees directly involved in our projects. The increase in our labor costs was reflected from an increase in headcount and compensation base as a result of our business expansion during the Track Record Period. The hardware costs consist primarily of the purchase cost of system components and equipment used in our APM products and services, such as hardware agents, network servers and switches. The decrease in our hardware costs as a percentage of our revenue during the Track Record Period was primarily attributable to our increased adoption of portable agents for our APM products in 2015, which cost less than rackmount agents, due to technological advancement.

### *Sensitivity analysis*

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in labor costs and hardware costs (as components of cost of sales) on our profit before tax during the Track Record Period, with all other variables held constant. A hypothetical fluctuation of 10%, 20%, 40% and 60% is adopted in performing the sensitivity analysis, which is commensurate with the historical fluctuations during the Track Record Period.

#### **Hypothetical fluctuations of labor**

costs	+/-10%	+/-20%	+/-40%	+/-60%
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Decrease/increase in profit before tax</b>				
Year ended December 31, 2014	+/-749.4	+/-1,498.8	+/-2,997.6	+/-4,496.4
Year ended December 31, 2015	+/-1,137.8	+/-2,273.6	+/-4,547.2	+/-6,820.8
Five months ended May 31, 2016	+/-636.3	+/-1,272.6	+/-2,545.2	+/-3,817.8

#### **Hypothetical fluctuations of hardware**

costs	+/-10%	+/-20%	+/-40%	+/-60%
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Decrease/increase in profit before tax</b>				
Year ended December 31, 2014	+/-865.9	+/-1,731.8	+/-3,463.6	+/-5,195.4
Year ended December 31, 2015	+/-787.1	+/-1,574.2	+/-3,148.4	+/-4,722.6
Five months ended May 31, 2016	+/-387.4	+/-774.8	+/-1,549.6	+/-2,324.4

#### **Gross Profit and Gross Profit Margin**

Our gross profit was approximately RMB23.7 million, RMB31.2 million and RMB15.2 million for 2014, 2015 and the five months ended May 31, 2016, respectively. Our gross profit margin was approximately 57.9%, 60.6% and 58.6% for the same periods, respectively. The increase in our gross profit margin from 2014 to 2015 was due to a decrease in hardware costs during the corresponding periods, which in turn increases the gross profit margins of our system integration services and our sales of standard hardware and software. The decrease in



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our gross profit margin in the five months ended May 31, 2016 compared to the five months ended May 31, 2015 was due to the increase in system integration services, which in general have a lower gross profit margin due to its relatively high cost of sales. The following table sets forth our gross profit and gross profit margin by service type for the periods indicated.

	Year ended December 31, 2014		2015		Five months ended May 31, 2015		2016	
	Gross Profit RMB'000	Gross Margin %	Gross Profit RMB'000	Gross Margin %	Gross Profit RMB'000	Gross Margin %	Gross Profit RMB'000	Gross Profit Margin %
System integration services	13,831	55.6	15,558	58.2	5,281	55.7	10,815	53.9
Software development services	4,289	73.3	4,739	67.8	2,483	64.3	1,749	68.4
Technical services	5,249	56.0	8,945	59.3	2,311	55.3	1,817	82.4
Sales of standard hardware and software	347	41.3	1,959	72.2	961	88.1	830	73.7
<b>Total</b>	<u>23,716</u>	57.9	<u>31,201</u>	60.6	<u>11,036</u>	59.3	<u>15,211</u>	58.6

Our gross profit margins for each of our system integration services and software development services remained stable during the Track Record Period. Our gross profit margin for technical services increased significantly during the five months ended May 31, 2016, primarily due to the increased portion of our products maintenance services which have a higher margin. Our gross profit margin for standard hardware and software sales increased significantly in 2015, primarily due to our increased adoption of portable agents for our APM products in 2015, which cost less than rackmount agents.

### Other Income and Gains

We had other income and gains of approximately RMB1.0 million, RMB4.5 million and RMB1.0 million in 2014, 2015 and the five months ended May 31, 2016, respectively. Other income and gains consist primarily of government grants, which were non-recurring subsidies or tax refund granted to qualified recipients by competent regulatory bodies. In 2014, 2015 and the five months ended May 31, 2016, the government grants we received were approximately RMB1.0 million, RMB4.5 million and RMB1.0 million, respectively. The significant increase in 2015 was due to (1) a one-time subsidy of approximately RMB1.0 million we received from the Beijing Municipal Science & Technology Commission (北京市科學技術委員會) as an acknowledgment of our efforts in transformation of high and new technology work, and (2) the increase of VAT refund we received by RMB2.4 million. Our software products offered in our system integration services or sold on a stand-alone basis are eligible for VAT refund. Our software sales is subject to VAT at a standard rate of 17% but the portion of collected tax in excess of 3% will be refunded to us once we have submitted our refund application documents pursuant to PRC tax policies. Our VAT refund was approximately RMB1.0 million, RMB3.4 million and RMB1.0 million for 2014 and 2015 and the five months ended May 31, 2016, respectively. The increase in 2015 was in line with our business growth.

## FINANCIAL INFORMATION

### Selling and Distribution Expenses

Our selling and distribution expenses consist of labor costs, travel expenses and other expenses. The overall increase of our selling and distribution expenses during the Track Record Period primarily reflected our enhanced efforts in marketing our APM services and products to build up customer awareness. The following table sets forth the components of our selling and distribution expenses for the periods indicated.

	Year ended December 31,				Five months ended May 31,			
	2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)							
Labor costs	2,282	52.7	2,692	49.1	942	42.7	1,276	47.0
Travel expenses	1,275	29.4	1,560	28.4	684	31.0	979	36.1
Others	777	17.9	1,234	22.5	578	26.3	460	16.9
<b>Total</b>	<b>4,334</b>	<b>100.0</b>	<b>5,486</b>	<b>100.0</b>	<b>2,204</b>	<b>100.0</b>	<b>2,715</b>	<b>100.0</b>

Our labor costs and travel expenses were the principal types of our selling and distribution expenses during the Track Record Period. Our labor costs primarily consist of salaries, bonuses and social insurance benefits paid to our sales staff. Our travel expenses incurred were related to the provision of customer services. Our other expenses primarily consist of office expenses, business hospitality expenses and communication expenses. The increase in our other expenses in 2015 was due to the increased purchase of office supplies in line with our business growth.

### R&D Expenses

Our R&D expenses consist of labor costs, material costs, travel expenses and other expenses. The following table sets forth a breakdown of our R&D expenses during the periods indicated.

	Year ended December 31,				Five months ended May 31,			
	2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)							
Labor costs	2,684	56.8	2,470	62.5	942	73.8	414	29.7
Material costs	959	20.3	440	11.1	32	2.5	421	30.2
Travel expenses	742	15.7	598	15.1	187	14.6	143	10.3
Others	340	7.2	445	11.3	116	9.1	415	29.8
<b>Total</b>	<b>4,725</b>	<b>100.0</b>	<b>3,953</b>	<b>100.0</b>	<b>1,277</b>	<b>100.0</b>	<b>1,393</b>	<b>100.0</b>

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Our labor costs, material costs and travel expenses were the principal types of our R&D expenses during the Track Record Period. Our labor costs primarily consist of salaries, bonuses and social insurance benefits paid to our R&D staff. The significant decrease in our labor costs during the five months ended May 31, 2016 as compared to the same period in 2015 was because our R&D staff were engaged in our APM projects delivery and hence corresponding labor costs were recognized as cost of sales during such period. Our material costs were incurred for the purchase of equipment such as cell phones and servers for our R&D testing. The high material costs in 2014 was because we purchased a relatively large amount of cell phones and some servers to conduct application testings. The significant increase in our material costs during the five months ended May 31, 2016 as compared to the same period in 2015 was because we purchased more equipment to conduct tests for a new R&D project in relation to the development of the SaaS platform.

### Administrative Expenses

Our administrative expenses consist of labor costs for our administrative staff, professional service fees, office expenses, travel expenses, welfare expenses, [REDACTED] and other administrative expenses. The increase in our administrative expenses was primarily due to an increase of our labor costs in line with the growth of our business and the [REDACTED] we incurred during the five months ended May 31, 2016 in relation to the [REDACTED]. The following table sets forth the components of our administrative expenses for the periods indicated.

	Year ended December 31, 2014		2015		Five months ended May 31, 2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)							
Labor costs	967	25.5	1,158	25.7	470	19.2	578	10.9
Professional service fees	458	12.1	758	16.8	383	15.6	169	3.2
Welfare expenses	653	17.2	718	15.9	685	27.9	16	0.3
Office expenses	501	13.2	452	10.0	231	9.4	205	3.9
Travel expenses	349	9.2	380	8.4	229	9.3	195	3.7
[REDACTED]	-	-	-	-	-	-	3,765	71.2
Others	859	22.8	1,041	19.2	456	18.6	357	6.8
<b>Total</b>	<b>3,787</b>	<b>100.0</b>	<b>4,507</b>	<b>100.0</b>	<b>2,454</b>	<b>100.0</b>	<b>5,285</b>	<b>100.0</b>

Our labor costs primarily consist of salaries, bonuses and social insurance benefits paid to our administrative staff. The increase in the labor costs during the Track Record Period primarily reflected the increased headcount and compensation base in line with our business growth. Our professional service fees primarily consist of consulting fees, agency fees and hiring service fees. The significant increase in professional services fees in 2015 was due to certain one-off services, including (1) the increase in service fees and testing fees incurred for our application of relevant qualifications and certificates as an effort to enhance our business profile, and (2) the engagement of external financial and legal consultants to provide certain advices to improve our accounting and corporate governance system. The significant decrease during the five months ended May 31, 2016 was because we did not incur similar one-off service fees. Our welfare expenses were primarily incurred for team building activities.

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### Finance Costs

Our finance costs primarily represent interests on banks loans. We incurred finance costs of approximately RMB0.3 million, RMB0.2 million and RMB8,000 in 2014, 2015 and the five months ended May 31, 2016, respectively. The decrease was primarily due to our repayment of our bank loans in late 2014 and 2015. As of May 31, 2016, we had already paid off all of our bank loans.

### Income Tax Expenses

Our income tax consists primarily of PRC enterprise income tax charged on our Group and deferred tax expenses arising from the timing difference between accounting and taxable profits. The following table sets forth our income tax expenses for the periods indicated.

	Year ended December 31,		Five months ended May 31,	
	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Current income tax	804	3,227	1,001	1,435
Deferred income tax	1,081	—	—	—
<b>Total</b>	<b>1,885</b>	<b>3,227</b>	<b>1,001</b>	<b>1,435</b>

We were not subject to any income, estate, corporation, capital gains or other tax in the Cayman Islands pursuant to the tax rules and regulations of the Cayman Islands during the Track Record Period. Additionally, dividend payments made by us are not subject to withholding tax in the Cayman Islands and the British Virgin Islands.

We did not make provision for Hong Kong profit tax as we did not have any assessable profit subject to Hong Kong profit tax during the Track Record Period.

The provision for PRC enterprise income tax is based on the statutory rate of 25.0% of the assessable profits of PRC companies as determined in accordance with the EIT Law. The EIT Law imposes a unified enterprise income tax rate of 25.0% on all domestic and foreign-invested enterprises unless they are qualified for preferential tax treatments. In December 2010, Vixtel Technologies was recognized as a "high and new technology enterprise" (高新技術企業) by the Beijing Municipal Science & Technology Commission (北京市科學技術委員會). The "high and new technology enterprise" (高新技術企業) certificate has to be reapplied in every three years. Vixtel Technologies has successfully reapplied for such certificate and was therefore entitled to a preferential corporate income tax of 15.0% until December 31, 2015. We have reapplied for the "high and new technology enterprise" (高新技術企業) certificate and expect to obtain the certificate in the first quarter of 2017, which will allow Vixtel Technologies to continue the preferential income tax rate of 15.0% for another

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three consecutive years. Our effective income tax rate for 2014, 2015 and the five months ended May 31, 2016 was 16%, 15% and 21%, respectively. The higher effective income tax rate for the five months ended May 31, 2016 was due to [REDACTED] incurred which reduced our profit before tax.

We incurred income tax expenses of approximately RMB1.9 million, RMB3.2 million and RMB1.4 million for 2014, 2015 and the five months ended May 31, 2016. The increase during the Track Record Period was in line with our business growth.

We recorded deferred income tax of approximately RMB1.1 million, nil and nil for 2014, 2015 and the five months ended May 31, 2016. Our deferred income tax of approximately RMB1.1 million in 2014 was due to the carried forward loss from the prior year.

During the Track Record Period, we made all material tax filings and paid all material outstanding tax liabilities with the relevant tax authorities in China, and we are not aware of any outstanding or potential dispute with such tax authorities.

### **Profit Attributable to Owners of Our Company**

As a result of the foregoing, we recorded profit attributable to owners of our Company of approximately RMB9.8 million, RMB18.3 million and RMB5.3 million for 2014, 2015 and the five months ended May 31, 2016, respectively. We recorded an accumulated loss of approximately RMB21.5 million as of January 1, 2014, primarily because in 2012 we recorded an impairment charge of certain intangible assets related to obsolescent technology no longer used amounting to approximately RMB20.2 million. According to our impairment policy for intangible assets, our finance manager is responsible for the assessment of whether there are any impairment indicators such as obsolescent technology at each reporting date. For intangible assets such as capitalized software or technology, our Chief Technology Officer reviews the full list of software and technology owned by us annually and compares that list with the technology currently used in provision of our service and products to identify any obsolescent technology. Once the technology related to particular software was determined to be obsolescent, our finance manager, with assistance from our Chief Technology Officer, will calculate the recoverable amount of the software which is the higher of the present value of the future cash flows expected to be derived from using the software and the fair value of the software less costs of disposal. An impairment loss is recorded when the carrying value of the capitalized obsolescent technology is higher than the recoverable amount.

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### RESULTS OF OPERATIONS

#### Five Months Ended May 31, 2016 Compared to Five Months Ended May 31, 2015

##### *Revenue*

Our total revenue increased by approximately 39.8% from approximately RMB18.6 million in the five months ended May 31, 2015 to approximately RMB26.0 million in the five months ended May 31, 2016, mainly reflecting significant growth of our system integration services, offset by the decrease in our software development services and technical services.

##### *System integration services*

Revenue from our system integration services increased by approximately 111.6% from approximately RMB9.5 million in the five months ended May 31, 2015 to approximately RMB20.1 million in the five months ended May 31, 2016, primarily due to an expansion of our customer base to cover more customers in telecommunications industry as well as radio and television industry, as a result of our continuing marketing efforts and word-of-mouth references among our customers.

##### *Software development services*

Revenue from our software development services decreased by approximately 33.8% from approximately RMB3.9 million in the five months ended May 31, 2015 to approximately RMB2.6 million in the five months ended May 31, 2016 because we allocated more resources to promote new products and technologies for our system integration services.

##### *Technical services*

Revenue from our technical services decreased by approximately 47.9% from approximately RMB4.2 million in the five months ended May 31, 2015 to approximately RMB2.2 million in the five months ended May 31, 2016 because we allocated more resources to promote new products and technologies for our system integration services.

##### *Sales of standard hardware and software*

Revenue from our sales of standard hardware and software increased by approximately 3.2% from approximately RMB1.1 million in the five months ended May 31, 2015 to approximately RMB1.1 million in the five months ended May 31, 2016, primarily due to a stable customer stream.

##### *Cost of sales*

Our cost of sales increased by approximately 42.1% from approximately RMB7.6 million in the five months ended May 31, 2015 to approximately RMB10.8 million in the five months ended May 31, 2016, primarily due to (1) higher labor costs from increased headcount and compensation base, and (2) higher hardware costs from our increased business volume in system integration services.

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### *Gross profit and gross profit margin*

Our gross profit increased by approximately 38.2% from approximately RMB11.0 million in the five months ended May 31, 2015 to approximately RMB15.2 million in the five months ended May 31, 2016, primarily due to the increase of business volume in system integration services. Our gross profit margin decreased from approximately 59.3% for the five months ended May 31, 2015 to approximately 58.6% for the five months ended May 31, 2016, primarily due to the increase of business volume in system integration services, which in general have a lower gross profit margin due to its relatively high cost of sales.

### *Other income and gains*

We had other income and gains of approximately RMB1.5 million and approximately RMB1.0 million in the five months ended May 31, 2015 and 2016, respectively. The decrease primarily reflected a one-time subsidy of RMB1.0 million from the Beijing Municipal Science & Technology Commission (北京市科學技術委員會) in 2015, offset by increased VAT refund in line with our business growth.

### *Selling and distribution expenses*

Our selling and distribution expenses increased by approximately 4.5% from approximately RMB2.2 million in the five months ended May 31, 2015 to approximately RMB2.3 million in the five months ended May 31, 2016, primarily due to our enhanced efforts in marketing our APM services and products to build up broader customer awareness.

### *R&D expenses*

Our R&D expenses increased by approximately 9.1% from approximately RMB1.3 million in the five months ended May 31, 2015 to approximately RMB1.4 million in the five months ended May 31, 2016, primarily due to the increase in purchase of equipment to conduct tests for new R&D project in relation to the development of SaaS platform.

### *Administrative expenses*

Our administrative expenses increased by approximately 112.0% from approximately RMB2.5 million in the five months ended May 31, 2015 to approximately RMB5.3 million in the five months ended May 31, 2016, primarily due to the incurrence of [REDACTED] of approximately RMB3.8 million.

### *Finance costs*

Our finance costs decreased by approximately 91.7% from approximately RMB0.1 million in the five months ended May 31, 2015 to approximately RMB8,000 in the five months ended May 31, 2016, primarily due to our repayment of bank loans in 2015.



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### *Profit before tax*

As a result of the foregoing, our profit before tax increased by approximately 4.6% from approximately RMB6.5 million in the five months ended May 31, 2015 to approximately RMB6.8 million in the five months ended May 31, 2016.

### *Income tax expenses*

Our income tax expenses increased by approximately 43.4% from approximately RMB1.0 million in the five months ended May 31, 2015 to approximately RMB1.4 million in the five months ended May 31, 2016, which was in line with our business growth. Our effective tax rate was approximately 15.4% and 21.1% for the same periods, respectively. The higher effective income tax rate for the five months ended May 31, 2016 was due to [REDACTED] incurred which reduced our profit before tax.

### *Profit for the period*

As a result of the foregoing, our net profit decreased by approximately 2.7% from approximately RMB5.5 million in the five months ended May 31, 2015 to approximately RMB5.4 million in the five months ended May 31, 2016, primarily due to the [REDACTED] we incurred in connection with the [REDACTED]. Our net profit margin decreased from approximately 29.6% for the five months ended May 31, 2015 to approximately 22.8% for the five months ended May 31, 2016, primarily due to the [REDACTED] we incurred in connection with the [REDACTED].

## **2015 compared to 2014**

### *Revenue*

Our total revenue increased by approximately 25.6% from approximately RMB41.0 million in 2014 to approximately RMB51.5 million in 2015, mainly reflecting the growth of our technical services offering.

### *System Integration services*

Revenue from our system integration services increased by approximately 7.2% from approximately RMB24.9 million in 2014 to approximately RMB26.7 million in 2015, primarily due to an expansion of our customer base, as we gradually gained higher reputation relying on word-of-mouth reference among customers regarding our high quality services and increased marketing efforts.

### *Software development services*

Revenue from our software development services increased by approximately 18.6% from approximately RMB5.9 million in 2014 to approximately RMB7.0 million in 2015 which is in line with our business growth.

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### *Technical services*

Revenue from our technical services increased by approximately 60.6% from approximately RMB9.4 million in 2014 to approximately RMB15.1 million in 2015, primarily due to higher customer demand for our technical support following the increased sale of our APM products.

### *Sales of standard hardware sales and software sales*

Revenue from our sales of standard hardware and basic software increased significantly from approximately RMB0.8 million in 2014 to approximately RMB2.7 million in 2015, primarily due to the increasing demand of our standard hardware and software products as we gradually gained higher reputation and expanded our customer base.

### *Cost of sales*

Our cost of sales increased by approximately 17.3% from approximately RMB17.3 million in 2014 to approximately RMB20.3 million in 2015, primarily due to higher labor costs from increased headcount and compensation base, partially offset by lower hardware costs due to our adoption of portable agents in 2015.

### *Gross profit and gross profit margin*

Our gross profit increased by approximately 31.6% from approximately RMB23.7 million in 2014 to approximately RMB31.2 million in 2015. Our gross profit margin also increased from approximately 57.9% for 2014 to approximately 60.6% for 2015, primarily due to a decrease in hardware costs.

### *Other income and gains*

We had other income and gains of approximately RMB1.0 million and RMB4.5 million in 2014 and 2015, respectively. The significant increase in other income and gains primarily reflected an increased level of government grants, which primarily include a one-time subsidy of RMB1.0 million from the Beijing Municipal Science & Technology Commission (北京市科學技術委員會) and increased VAT refund in line with our business growth.

### *Selling and distribution expenses*

Our selling and distribution expenses increased by approximately 27.9% from approximately RMB4.3 million in 2014 to approximately RMB5.5 million in 2015, primarily due to our enhanced efforts in marketing our APM products and services to build up broader customer awareness.

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### *R&D expenses*

Our R&D expenses decreased by approximately 16.3% from approximately RMB4.7 million in 2014 to approximately RMB4.0 million in 2015, primarily because we purchased a relatively large amount of cell phones and some servers to conduct application testings. Such decrease was partially offset by increased labor costs attributable primarily to the growing competition for R&D talents in the market.

### *Administrative expenses*

Our administrative expenses increased by approximately 18.4% from approximately RMB3.8 million in 2014 to approximately RMB4.5 million in 2015, which was generally in line with our business growth.

### *Finance costs*

Our finance costs decreased from approximately RMB0.3 million in 2014 to approximately RMB0.2 million in 2015, primarily due to our repayment of certain bank loans in late 2014 and in 2015.

### *Profit before tax*

As a result of the foregoing, our profit before tax increased significantly from approximately RMB11.7 million for 2014 to approximately RMB21.6 million for 2015.

### *Income tax expenses*

Our income tax expenses increased by approximately 68.4% from approximately RMB1.9 million in 2014 to approximately RMB3.2 million in 2015, reflecting the increase in our profit before tax. Our effective tax rate was 16% and 15% in 2014 and 2015, respectively.

### *Profit for the year*

As a result of the foregoing, our net profit increased significantly from approximately RMB9.8 million in 2014 to approximately RMB18.3 million in 2015. Our net profit margin also increased from approximately 23.8% in 2014 to approximately 35.6% in 2015, primarily due to the increase in gross profit margin.

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### DISCUSSION OF CERTAIN ITEMS FROM THE COMBINED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our summary combined statements of financial position as of the dates indicated.

	As of December 31,		As of
	2014	2015	May 31,
	RMB'000	RMB'000	2016
			RMB'000
<b>NON-CURRENT ASSETS</b>			
Property and equipment	395	331	757
Long term deposits	213	6	225
<b>Total non-current assets</b>	<b>608</b>	<b>337</b>	<b>982</b>
<b>CURRENT ASSETS</b>			
Inventories	1,165	2,200	3,668
Gross amount due from contract customers	16,240	22,930	29,458
Trade receivables	9,378	14,213	15,200
Prepayments, deposits and other receivables	880	1,278	3,806
Due from a related party	812	1,344	–
Due from shareholder	–	–	5,838
Cash and cash equivalents	10,446	20,412	8,833
<b>Total current assets</b>	<b>38,921</b>	<b>62,377</b>	<b>66,803</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	2,079	7,019	5,559
Gross amount due to contract customers	910	2,647	–
Other payables and accruals	9,623	11,762	17,053
Due to related parties	3,232	212	3,719
Interest-bearing bank borrowings	3,991	–	–
Tax payable	728	3,712	2,899
<b>Total current liabilities</b>	<b>20,563</b>	<b>25,352</b>	<b>29,230</b>
<b>NET CURRENT ASSETS</b>	<b>18,358</b>	<b>37,025</b>	<b>37,573</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>18,966</b>	<b>37,362</b>	<b>38,555</b>
Net assets	18,966	37,362	38,555
<b>EQUITY</b>			
Issued capital	–	65	65
Reserve	18,966	37,297	38,490
<b>Total equity</b>	<b>18,966</b>	<b>37,362</b>	<b>38,555</b>

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### Property and Equipment

Our property and equipment primarily consist of motor vehicles, furniture and fixtures, equipment and leasehold improvements. We had property and equipment of approximately RMB0.4 million, RMB0.3 million and RMB0.8 million as of December 31, 2014, 2015 and May 31, 2016, respectively. The slight decrease in 2015 primarily reflected normal depreciation during our ordinary course of business. The increase during the five months ended May 31, 2016 primarily reflected the fees for our office decoration and purchase of more laptops as a result of our increased headcount.

### Inventories

Our inventories consist primarily of finished goods and raw materials. The finished goods mainly include finished standard hardware and software products for sale. The raw materials mainly include hardware to be used for providing our APM products and services. The following table sets forth the components of our inventories as of the date indicated and our turnover of inventories for the dates indicated.

	As of December 31,		As of
	2014	2015	May 31,
	RMB'000	RMB'000	2016
			RMB'000
Finished goods	983	2,101	1,706
Raw materials	182	99	1,962
<b>Total</b>	<b>1,165</b>	<b>2,200</b>	<b>3,668</b>

Our inventories totaled approximately RMB1.2 million, RMB2.2 million and RMB3.7 million as of December 31, 2014, 2015 and May 31, 2016, respectively. The increase in 2015 was primarily because we maintained a higher level of finished goods after our receipt of a purchase order for a large amount of standard hardware around the end of 2015. Our inventories as of May 31, 2016 was primarily due to (1) the increased business volume in our system integration services, which required us to purchase more hardware and services from third parties, and (2) the seasonality of our business whereby more of our projects are completed at the end of year. As of September 30, 2016, approximately 88.1% of the inventory we had as of May 31, 2016 were used or sold.

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### Gross Amounts Due from/to Contract Customers

Our system integration and software development contracts include schedules of progress billings, according to which our customer would issue a form of acceptance based on project milestones or periodically, acknowledging the progress of our ongoing projects in the current period. Prior to reaching project billing milestone, we recognize revenue and corresponding receivable under amounts due from contract customers based on the percentage of completion. Once a form of acceptance is obtained, our finance department issues invoice to our customer based on the pre-agreed installment payment amount under such contract, such amount will be transferred from amount due from contract customers to trade receivables until payment is made to us. As such, progress billings and customer settlement are not directly related to the percentage of completion.

According to our accounting policies, where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the balance is treated as an amount due from contract customers; where progress billings exceeded costs incurred plus recognized profits less recognized loss, the balance is treated as an amount due to contract customers. We generally experience higher amounts due from contract customers when we recognize revenue for a project milestone and has not yet made corresponding progress billings to our customer, and higher amounts due to contract customers at the beginning of a project stage when our progress billings, including those for advance payment, exceed revenue recognized. A majority of our customers during the Track Record Period were state-owned enterprises, which normally have extensive and time-consuming internal approval policies and procedures relating to the confirmation of our progress billings. As a result, we may experience increases in our amounts due from contract customers in any given periods. The following table sets forth the gross amount due from/to customers for contract work for the Track Record Period:

	<b>As of December 31,</b>		<b>As of May 31,</b>	
	<b>2014</b>	<b>2015</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	
Gross amount due from contract customers	16,240	22,930	20,148	29,458
Gross amount due from contract customers as percentage of revenue	39.6%	44.5%	108.2%	113.4%
Gross amount due to contract customers	910	2,647	2,647	–

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Our gross amounts due from contract customers increased from approximately RMB16.2 million as of December 31, 2014 to approximately RMB22.9 million as of December 31, 2015, and further to approximately RMB29.5 million as of May 31, 2016. The increase was due to (1) our business growth during the Track Record Period, and (2) the usual timing difference between the progress of work performed under our system integration and software development projects and the date of progress billings, and (3) the relatively long duration of such projects. As of September 30, 2016, approximately 31.2% of our gross amounts due from contract customers as of May 31, 2016 were billed. Some of our customers, particularly the state-owned enterprises, tend to utilize their annual budget around the end of their fiscal years primarily due to their annual budget schemes. As such, they tend to issue forms of acceptance to us in the fourth quarter, and their internal process for the issuance of forms of acceptance in the middle of a year is relatively slow. As we generally bill our customers after we receive their forms of acceptance, we tend to have a slower billing progress in the middle of a year.

We recorded gross amounts due to contract customers of approximately RMB0.9 million, RMB2.6 million and nil as of December 31, 2014, 2015 and the five months ended May 31, 2016. The increase in 2015 was because our certain progress billings exceeded costs incurred for relevant projects and our customers requested us to bill them in advance before the end of their fiscal year. The decrease during the five months ended May 31, 2016 was primarily attributable to the accomplishment of certain services projects.

Our customers typically issue forms of acceptance to us after the delivery of products and the completion of tests following billing milestones. Our customers generally issue forms of acceptance to us after the products are delivered to them. It usually takes 30 to 90 days to conduct the initial stage tests and over 180 days to conduct the final stage tests. After the tests, our customers generally take approximately 30 to 90 days to confirm the progress of projects before they issue forms of acceptance.

The table below sets forth our aging analysis of our gross amounts due from contract customers as of the dates indicated. Aging amounts due from contract customers are calculated based on the date when service was rendered and corresponding revenue was recorded according to the percentage of completion method.

	<b>As of December 31,</b>		<b>As of</b>
	<b>2014</b>	<b>2015</b>	<b>May 31,</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	5,574	10,440	9,137
90-180 days	3,983	4,846	9,723
180 days to one year	5,727	4,916	6,790
Over one year	955	2,728	3,808
<b>Total</b>	<b>16,240</b>	<b>22,930</b>	<b>29,458</b>



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## FINANCIAL INFORMATION

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We recorded gross amount due from contract customers over one year of approximately RMB1.0 million, RMB2.7 million and RMB3.8 million as of December 31, 2014, 2015 and May 31, 2016, representing 5.9%, 11.9% and 12.9% of the total gross amount due from contract customers as of the same dates, respectively. The relatively large portion of gross amount due from contract customers over one year was because (1) some of our contract customers require an additional six-month trial running period between the initial stage tests and the final stage test, and (2) a small portion of our contract customers, namely the cable television providers, albeit insignificant in terms of our revenue, tend to withhold and make the final payment of generally 5% of their contract values only after the warranty period, in addition to the three payment installments usually applicable on other customers. For the years ended December 31, 2014 and 2015 and the five months ended May 31, 2016, our revenue attributed by cable television providers amounted to approximately 1.8%, 3.2% and 2.8% of our total revenue, respectively.

### Trade Receivables

During the Track Record Period, our trade receivables primarily represented amounts receivable from our customers for our services provided in the ordinary course of business. As of December 31, 2014, 2015 and May 31, 2016, we had trade receivables of approximately RMB9.4 million, RMB14.2 million and RMB15.2 million, respectively. The table below sets forth the details of our trade receivables as of the dates indicated.

	<b>As of December 31,</b>		<b>As of</b>
	<b>2014</b>	<b>2015</b>	<b>May 31,</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>2016</b>
			<i>RMB'000</i>
Trade receivables	<u>9,378</u>	<u>14,213</u>	<u>15,200</u>

Our trading terms are generally on credit, except for new customers or other general customers on a service-order basis, in which case we usually require advance payment for services. For our system integration services and software development services, the credit period granted to our customers is normally 30 to 60 business days upon issuance of invoice and receipt of certain forms of acceptance from our customers during the course of our projects. The forms of acceptance evidence the satisfaction from our customers of the progress of our projects. For our technical services, the credit period granted to the customers is normally due upon completion of our services. For our sales of standard hardware and software, the credit period granted to our customers is normally 30 to 60 business days upon the products were accepted by our customers. As of October 31, 2016, approximately 68.0% of our trade receivables outstanding as of May 31, 2016 were settled.

We seek to maintain strict control over outstanding receivables. In addition, our overdue balances are reviewed regularly by senior management. We do not hold any collateral or other credit enhancements over our trade receivables balances, and our trade receivables are non-interest-bearing.

## FINANCIAL INFORMATION

Our policy for impairment loss on trade receivables is based on an evaluation of collectability and aging analysis of the receivables, which requires the use of judgment and estimation. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. We closely review the trade receivable balance and any overdue balances on an ongoing basis and assess the collectability of overdue balances. We enter a record of the invoice into the invoice register maintained by our accounting team upon issuance of invoices to our customers. Our accounting team will then monitor the settlement of invoices by our customers to ensure that payment is made by our customers within the granted credit periods and update the account receivables aging report monthly. Our accounting staff checks the aging of trade debts on a monthly basis, and trade receivables aged more than six months are passed to our sales staff to follow up with the respective customers. Our accounting team prepares a monthly cash flow report that is submitted to our executive Directors. As our payment terms generally require our customers to pay upon delivery of our products, and the completion of the preliminary tests and final tests in our system integration services and software development services which was not necessarily in line with the receipt of form of acceptance and issuance of invoices that determine when the trade receivable is recognized, and our projects generally last for three to 12 months, our trade receivables may last longer than 90 days. The table below sets forth an aging analysis of our trade receivables based on the billing date when both of the invoices and form of acceptance were provided and net of provision as of the dates indicated.

	<b>As of December 31,</b>		<b>As of</b>
	<b>2014</b>	<b>2015</b>	<b>May 31,</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>2016</b>
			<i>RMB'000</i>
Within 90 days	6,129	12,374	8,618
90 to 180 days	533	656	3,768
180 days to one year	2,045	566	2,490
Over one year	670	616	324
	<u>9,378</u>	<u>14,213</u>	<u>15,200</u>
<b>Total</b>	<u>9,378</u>	<u>14,213</u>	<u>15,200</u>

We assess the collectability of trade receivables periodically and make impairment provision when there is objective evidence that a trade receivable is impaired. We make our estimates based on the aging of our trade receivable balances, customers' creditworthiness, and historical write-off experience. Trade receivables that were past due but not impaired related to a number of provincial subsidiaries of a state-owned telecommunication operator in the PRC for whom there was no recent history of default. As such, our management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality of the trade receivables from the date that credit was initially granted up to the end of each reporting period and that the overdue amounts can be recovered based on our past experience. The table below sets forth an aging analysis of our trade receivables that are not considered to be impaired as of the dates indicated.

**FINANCIAL INFORMATION**

	<b>As of December 31,</b>		<b>As of</b>
	<b>2014</b>	<b>2015</b>	<b>May 31,</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>2016</b>
			<i>RMB'000</i>
Neither past due nor impaired	5,240	11,108	4,826
Less than 6 months past due	3,087	2,360	9,139
6 to 12 months past due	381	493	1,045
Over 12 months past due	670	252	190
<b>Total</b>	<b>9,378</b>	<b>14,213</b>	<b>15,200</b>

Trade receivables which were past due increased substantially from 21.8% of total trade receivables as at December 31, 2015 to 68.3% as at May 31, 2016. As explained under the paragraph “Financial Information – Gross Amounts Due from/to Contract Customers” some of our customers, particularly the state-owned enterprises, tend to utilize their annual budget around the end of their fiscal years primarily due to their annual budget schemes. Therefore, the settlement period of trade receivables is normally longer in the middle of a year.

The following table sets forth our average trade receivables turnover days for the periods indicated.

	<b>Year ended</b>		<b>Five months</b>
	<b>December 31,</b>		<b>ended</b>
	<b>2014</b>	<b>2015</b>	<b>May 31,</b>
			<b>2016</b>
Trade receivables turnover days <sup>(1)</sup>	76	84	86

(1) Trade receivables turnover days were calculated based on the average of the opening and closing trade receivables divided by revenue for the relevant period multiplied by 365 days or 152 days for year-end or period-end respectively.

Our average trade receivables turnover days increased from 76 days for 2014 to 84 days for 2015, and further to 86 days for the five months ended May 31, 2016. The increase in our trade receivables in 2015 was due to the increase in our technical services which we generally bill our customers after the completion of our services instead on a percentage of completion basis. In respect of the receivables that are past due, we regularly follow up with such customers for payment and monitor their credit worthiness.

**FINANCIAL INFORMATION**

**Prepayments, Deposits and Other Receivables**

Our prepayments, deposits and other receivables represent primarily advance to staff for bidding deposits, rental deposits and prepaid [REDACTED]. As of December 31, 2014, 2015 and May 31, 2016, we had prepayments, deposits and other receivables of approximately RMB1.1 million, RMB1.3 million and RMB4.0 million, respectively. The increase during the five months ended May 31, 2016 was primarily due to (1) a prepaid [REDACTED] of approximately RMB[REDACTED], (2) the increase in bidding deposits of approximately RMB0.3 million as we participated in more biddings, and (3) the entering into a new lease agreement as a result of our office relocation. The table below sets forth the details of our prepayments, deposits and other receivables as of the dates indicated.

	<b>As of December 31,</b>		<b>As of</b>
	<b>2014</b>	<b>2015</b>	<b>May 31,</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current portion			
Rental deposits	213	6	225
Current portion			
Prepayments	37	30	166
Prepaid rental payments	–	–	305
Rental deposits	–	249	154
Advance to employees	509	388	686
Bidding deposits	317	611	920
Others	17	–	342
Prepaid [REDACTED]	–	–	1,233
<b>Total</b>	<b>1,093</b>	<b>1,284</b>	<b>4,031</b>

We did not experience material impairment of our prepayments, deposits and other receivables during the Track Record Period.

## FINANCIAL INFORMATION

### Cash and Cash Equivalents

Our cash and cash equivalents consist primarily of our cash and bank balances. At the end of each reporting period, nearly all of our cash and bank balances were denominated in RMB. The following table sets forth the components of our cash and cash equivalents as of the dates indicated.

	<b>As of December 31,</b>		<b>As of</b>
	<b>2014</b>	<b>2015</b>	<b>May 31,</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>2016</b>
			<i>RMB'000</i>
Cash and bank balances	10,446	20,412	8,833
Denominated in:			
– RMB	10,446	20,334	8,755
– HK\$	–	78	78

### Trade Payables

Our trade payables primarily represent amounts payable for the purchases of system components and equipment for the provision of system integration services and the sale of standard hardware and basic software. As of December 31, 2014, 2015 and May 31, 2016, we had trade payables of approximately RMB2.1 million, RMB7.0 million and RMB5.6 million, respectively. The increase in 2015 was primarily due to the increase in our procurement orders from our installation engineering providers in line with the increased number of our outsourced projects. The decrease during the five months ended May 31, 2016 was because we settled our trade payables with our installation engineering providers in early 2016. The table below sets forth the details of our trade payables as of the dates indicated.

	<b>As of December 31,</b>		<b>As of</b>
	<b>2014</b>	<b>2015</b>	<b>May 31,</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>2016</b>
			<i>RMB'000</i>
Trade payables	2,079	7,019	5,559

## FINANCIAL INFORMATION

Our trade payables are non-interest-bearing and are normally settled on a 90-day credit period. The significant increase of our trade payables aged more than 90 days as of December 31, 2015 was mainly due to the increase in our trade payables with our installation engineering providers in line with the increased number of our outsourced projects. The following table sets forth the aging analysis of our trade payables based on the invoice date as of the dates indicated.

	<b>As of December 31,</b>		<b>As of</b>
	<b>2014</b>	<b>2015</b>	<b>May 31,</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>2016</b>
			<i>RMB'000</i>
Within 90 days	1,764	3,304	5,073
90 to 180 days	10	1,047	149
180 days to one year	4	2,421	337
Over one year	301	247	–
	<u>2,079</u>	<u>7,019</u>	<u>5,559</u>
<b>Total</b>	<b><u>2,079</u></b>	<b><u>7,019</u></b>	<b><u>5,559</u></b>

The following table sets forth our average trade payables turnover days for the periods indicated.

	<b>Year ended December 31,</b>		<b>Five months</b>
	<b>2014</b>	<b>2015</b>	<b>ended</b>
			<b>May 31,</b>
			<b>2016</b>
Trade payables turnover days <sup>(1)</sup>	65	82	89

(1) Trade payables turnover days were calculated based on the average of the opening and closing trade payables divided by cost of sales for the relevant period multiplied by 365 days or 152 days for year-end or period-end respectively.

Our average trade payables turnover days increased from 65 days for 2014 to 82 days for 2015 and further to 89 days for the five months ended May 31, 2016, which was in line with our business growth. During the Track Record Period, we did not default on any trade payables that would have a material adverse effect on our financial position.

## FINANCIAL INFORMATION

### Other Payables and Accruals

Our other payables and accruals primarily represent salary and welfare payable, other tax payable and dividend payable. As of December 31, 2014, 2015 and May 31, 2016, we had other payables and accruals of approximately RMB9.6 million, RMB11.8 million and RMB17.1 million, respectively. The increase was primarily attributable to continuous growth of our employee salaries and tax payable in 2015 which is generally consistent with the expansion of our business. The increase in 2016 was primarily due to outstanding dividend payments of RMB6.2 million. As of the Latest Practicable Date, such dividend payment was fully settled. Our other payables and accruals are non-interest-bearing and an average settlement term of six months.

	<b>As of December 31,</b>		<b>As of</b>
	<b>2014</b>	<b>2015</b>	<b>May 31,</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>2016</i>
			<i>RMB'000</i>
Salary and welfare payable	4,664	5,899	5,251
Other tax payable	3,179	4,872	4,216
Dividend payable	1,500	–	6,200
Other payables	155	370	1,036
Advance from customers	125	621	350
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total</b>	<u>          9,623</u>	<u>         11,762</u>	<u>         17,053</u>

### Interest-bearing Bank Loans and Other Borrowings

See “– Indebtedness and Contingent Liabilities” for further discussions.

### LIQUIDITY AND CAPITAL RESOURCES

Our business operations require a significant amount of capital, including upgrading our existing hardware and servers, and establishing new research facilities. Historically, we have financed our capital expenditures and working capital requirements mainly through cash generated from operations, proceeds from bank borrowings and capital injection from the shareholders.



## FINANCIAL INFORMATION

### Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated.

	<b>Year ended December 31,</b>		<b>Five months ended</b>
	<b>2014</b>	<b>2015</b>	<b>May 31,</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>2016</b>
			<i>RMB'000</i>
Net cash from/(used in) operating activities	1,325	18,239	(11,058)
Net cash from/(used in) investing activities	(330)	323	(440)
Net cash used in financing activities	(52)	(8,596)	(81)
	<u>943</u>	<u>9,966</u>	<u>(11,579)</u>
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the year/period	9,503	10,446	20,412
Cash and cash equivalents at end of the year/period	10,446	20,412	8,833

#### *Net cash from/(used in) operating activities*

We derive our cash inflow from operating activities primarily through our APM product and service offerings. Cash outflow from operating activities primarily consists of payments for system components and equipment used in providing our APM products and services, employee compensation and benefits, and other operating expenses. Our net cash flow generated from operating activities reflects our profit before income tax, as adjusted for non-cash items, such as depreciation of property and equipment, and the effects of changes in working capital items.

For the five months ended May 31, 2016, we had net cash outflow from operating activities of approximately RMB11.1 million, primarily attributable to recording profit before tax of approximately RMB6.9 million offset by (1) a net increase in gross amount due from/to contract customers and trade receivables of approximately RMB10.2 million as the services or construction we provided under certain contracts had not reached billing milestones, (2) an increase in prepayments, deposits and other receivables of approximately RMB2.9 million primarily due to the payment of [REDACTED], and (3) a payment of approximately RMB2.2 million in connection with 2015 income tax filing in May 2016.

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## FINANCIAL INFORMATION

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For 2015, we had net cash generated from operating activities of approximately RMB18.2 million, primarily attributable to profit before tax of approximately RMB21.6 million, adjusted to add back (1) an increase in trade payable of approximately RMB4.9 million, due to our increased procurement orders in line with our business growth, and (2) an increase in other payables and accruals of approximately RMB3.6 million, partially offset by (1) an increase in gross amount due from contract customers of approximately RMB6.7 million, and (2) an increase in trade receivables of approximately RMB4.8 million.

For 2014, we had net cash generated from operating activities of approximately RMB1.3 million, primarily attributable to profit before tax of approximately RMB11.7 million, adjusted to add back (1) a decrease in trade receivables of approximately RMB1.7 million, and (2) an increase in other payables and accruals of approximately RMB2.4 million, partially offset by (1) an increase in gross amount due from contract customers of approximately RMB8.8 million, and (2) a decrease in trade payables of approximately RMB2.2 million due to our increased payment to our suppliers.

### *Net cash from/(used in) investing activities*

For the five months ended May 31, 2016, we had net cash outflow from investing activities of approximately RMB0.4 million, primarily attributable to cash paid for purchase of property and equipment.

For 2015, we had net cash generated from investing activities of approximately RMB0.2 million, primarily attributable to repayment of approximately RMB2.0 million from a related party, partially offset by increase in amounts due from a related party of approximately RMB1.7 million.

For 2014, we had net cash outflow from investing activities of approximately RMB0.3 million, primarily attributable to increase in amounts due from a related party.

### *Net cash used in financing activities*

For the five months ended May 31, 2016, we had net cash outflow from financing activities of approximately RMB81,000, primarily attributable to dividends paid by a subsidiary of approximately RMB3.8 million, partially offset by increase in amounts due to a related party of approximately RMB3.7 million for our working capital purposes.

For 2015, we had net cash outflow in financing activities of approximately RMB8.6 million, primarily attributable to (1) our repayment of bank and other borrowings of approximately RMB4.0 million, (2) our repayment of related-party loans of approximately RMB3.0 million, and (3) dividends paid by a subsidiary of approximately RMB1.5 million.

For 2014, we had net cash outflow in financing activities of approximately RMB52,000, primarily due to our repayment of bank borrowings of RMB7.2 million, partially offset by (1) new bank borrowings of RMB4.4 million, and (2) increase in amounts due to a related party of approximately RMB3.0 million for our working capital purpose.

## FINANCIAL INFORMATION

### Capital Management

Our policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business. Our overall strategy remains unchanged from prior years. The capital structure of our Group consists of borrowings disclosed in Note 21 to the Accountants' Report included in Appendix I to this document, and equity comprising capital, reserves and retained profits. Our directors review the current ratio, which is total current assets divided by total current liability, on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. We will balance our overall capital structure through the raising of new debts and equity as well as the redemption of the existing debts, so as to manage the current ratios.

### Net Current Assets Position

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,		As of	As of
	2014	2015	May 31,	September 30,
	RMB'000	RMB'000	2016	2016
			RMB'000	RMB'000
				(Unaudited)
<b>Current assets</b>				
Inventories	1,165	2,200	3,668	1,645
Gross amount due from contract customers	16,240	22,930	29,458	29,633
Trade receivables	9,378	14,213	15,200	24,021
Prepayments, deposits and other receivables	880	1,278	3,806	4,964
Due from a related party	812	1,344	–	–
Due from shareholder	–	–	5,838	–
Cash and cash equivalents	10,446	20,412	8,833	20,495
<b>Total Current Assets</b>	<b>38,921</b>	<b>62,377</b>	<b>66,803</b>	<b>80,758</b>
<b>Current liabilities</b>				
Trade payables	2,079	7,019	5,559	2,876
Gross amount due to contract customers	910	2,647	–	67
Other payables and accruals	9,623	11,762	17,053	23,892
Due to related parties	3,232	212	3,719	–
Interest-bearing bank borrowings	3,991	–	–	–
Tax payable	728	3,712	2,899	3,750
<b>Total Current Liabilities</b>	<b>20,563</b>	<b>25,352</b>	<b>29,230</b>	<b>30,585</b>
<b>Net Current Assets</b>	<b>18,358</b>	<b>37,025</b>	<b>37,573</b>	<b>50,173</b>

The general increase in our net current assets during the Track Record Period was in line with our business growth.

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As of September 30, 2016, we had no other present plan for dividend distribution, and therefore we believe that our liquidity risk would decrease following the [REDACTED]. Going forward, we intend to continue to enhance our liquidity risk management capabilities by matching closely the maturity profiles of our assets and liabilities.

Taking into consideration of the financial resources presently available to us, including the available cash and cash equivalents, the expected cash generated from our operations and the estimated net proceeds from the [REDACTED], our Directors are of the opinion that we have sufficient working capital for our present working capital requirements for at least the next 12 months from the date of this document.

### Capital Expenditures and Commitments

During the Track Record Period, our capital expenditures included primarily expenditures for purchases of property and equipment which consist of motor vehicles, furniture and fixtures, equipment and leasehold improvements. We had capital expenditures of nil, approximately RMB7,000 and RMB440,000 in 2014, 2015 and the five months ended May 31, 2016, respectively.

We did not have any capital commitments as of December 31, 2014 and 2015 and May 31, 2016.

### OPERATING LEASE COMMITMENTS

We lease certain of our offices under operating leases. These leases have a term of one to two years, under which we pay fixed quarterly rents. The table below sets forth details of our operating lease commitments under non-cancellable operating leases falling due as of the dates indicated.

	As of December 31,		As of
	2014	2015	May 31,
	RMB'000	RMB'000	2016
			RMB'000
Within one year	524	320	1,241
More than one year and less than five years (both inclusive)	199	30	625
<b>Total</b>	<u>723</u>	<u>350</u>	<u>1,866</u>

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## FINANCIAL INFORMATION

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### INDEBTEDNESS AND CONTINGENT LIABILITIES

Our indebtedness during the Track Record Period consists primarily of borrowings from banks, all denominated in RMB. The table below sets forth the components of our indebtedness as of the dates indicated.

	As of December 31,		As of	As of
	2014	2015	May 31,	September 30,
	RMB'000	RMB'000	2016	2016
			RMB'000	RMB'000
<b>Current</b>				
Bank loans – unsecured	3,991	–	–	–
	<u>3,991</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Total</b>	<u>3,991</u>	<u>–</u>	<u>–</u>	<u>–</u>

We recorded bank loans of RMB4.0 million, nil and nil as of December 31, 2014 and 2015 and the five months ended May 31, 2016. All our bank loans during the Track Record Period were guaranteed, as the case maybe, by Mr. Sie, Madam Chen and Vixtel Science. All of these guarantees had been released as of the Latest Practicable Date. We did not have any banking facilities as of the Latest Practicable Date.

During the Track Record Period, we did not breach any material covenants relating to outstanding debts, guarantee or other contingent obligations. As of the Latest Practicable Date, we were not bound by any restrictive covenants which may affect our ability to raise capital.

As of September 30, 2016, the latest practicable date for purpose of this indebtedness statements, saved as disclosed in this document, we did not have any loan capital or debt securities issued or agreed to be issued, outstanding bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits, finance leases or hire purchase commitments or guarantees or material contingent liabilities. Our Directors confirm that there is no material adverse change in the Company's indebtedness and contingent liabilities since September 30, 2016.

### OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

## FINANCIAL INFORMATION

### KEY FINANCIAL RATIOS

	Year ended December 31,		Five months ended
	2014	2015	May 31, 2016
<b>Profitability ratios</b>			
Gross profit margin <sup>(1)</sup>	57.9%	60.6%	58.6%
Net profit margin <sup>(2)</sup>	23.8%	35.6%	20.6%
Return on equity <sup>(3)</sup>	51.5%	49.1%	33.3% <sup>(8)</sup>
Return on total assets <sup>(4)</sup>	24.7%	29.2%	19.0% <sup>(8)</sup>
<b>Liquidity ratios</b>			
Current ratio <sup>(5)</sup>	1.9	2.3	2.3
Quick ratio <sup>(6)</sup>	1.8	2.2	2.2
<b>Capital adequacy ratios</b>			
Gearing ratio <sup>(7)</sup>	21.0%	nil	nil

(1) The calculation of gross profit margin is based on gross profit for the period divided by revenue for the respective period and multiplied by 100.0%.

(2) The calculation of net profit margin is based on profit for the period divided by revenue for the respective period and multiplied by 100.0%.

(3) The calculation of return on equity is based on profit for the period divided by equity attributable to equity holders of the Company as of period end and multiplied by 100.0%.

(4) The calculation of return on total assets is based on profit for the period divided by total assets as of period end and multiplied by 100.0%.

(5) The calculation of current ratio is based on current assets divided by current liabilities as of period end.

(6) The calculation of quick ratio is based on current assets less inventories divided by current liabilities as of period end.

(7) The calculation of gearing ratio is based on total borrowings divided by total equity as of period end and multiplied by 100.0%. There were no outstanding interest bearing borrowings at end of 2015 and as of May 31, 2016.

(8) For the five months ended May 31, 2016, return on equity and return on assets are calculated on an annualized basis.

### Gross Profit Margin

See “– Results of Operations” for a discussion of the factors affecting our gross profit margin during the Track Record Period.

### Net Profit Margin

Our net profit margin was approximately 23.8%, 35.6% and 20.6% for 2014, 2015 and the five months ended May 31, 2016. The increase in net profit margin in 2015 was primarily attributable to the increase of gross profit margin. The decrease in our net profit margin for the five months ended May 31, 2016 was mainly due to the [REDACTED] we incurred in connection with the [REDACTED].

## **FINANCIAL INFORMATION**

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### **Return on Equity**

Our return on equity decreased from approximately 51.5% in 2014 to approximately 49.1% in 2015 and further to 33.3% for the five months ended May 31, 2016. The significant decrease for the five months ended May 31, 2016 was primarily due to the decline in our net profit margin.

### **Return on Total Assets**

Our return on total assets was approximately 24.7%, 29.2% and 19.0% for 2014, 2015 and the five months ended May 31, 2016. The decrease for the five months ended May 31, 2015 was primarily due to the decrease in our annualized net profit.

### **Current Ratio**

Our current ratio was 1.9, 2.3 and 2.3 as of December 31, 2014, 2015 and May 31, 2016. The increase in our current ratio as of December 31, 2015 was primarily due to the increase of our gross amount due from customers and trade receivables which was in line with our business growth.

### **Quick Ratio**

Our quick ratio was 1.8, 2.2 and 2.2 as of December 31, 2014, 2015 and May 31, 2016. Our quick ratio was affected primarily by the same factors affecting our current ratio.

### **Gearing Ratio**

Our gearing ratio was 21.0%, nil and nil as of December 31, 2014, 2015 and May 31, 2016. The decrease in our gearing ratio in 2015 was mainly because we had fully repaid our bank loans in 2015.

## FINANCIAL INFORMATION

### RELATED PARTY TRANSACTIONS

During the Track Record Period, our related party transactions included loans advanced from and to our related parties, business transactions with our related parties and transactions contemplated under the Reorganization. The following table sets forth the outstanding balances with related parties as of the dates indicated.

	As of December 31, 2014	2015	As of May 31, 2016
	RMB'000	RMB'000	RMB'000
<b>Amounts due from related parties</b>			
Vixtel Science <sup>(1)</sup>	330	–	–
Hainan Feisida Information Technologies Co., Ltd (海南飛思達通信技術有限公司) (“Hainan Feisida”) <sup>(2)(3)</sup>	482	1,344	–
<b>Total</b>	<b>812</b>	<b>1,344</b>	<b>–</b>
<b>Amounts due to related parties</b>			
Mr. Sie <sup>(4)</sup>	–	–	3,719
Mr. SZE Oi Kwan <sup>(4)</sup>	3,000	–	–
Hainan Feisida <sup>(2)(3)</sup>	212	212	–
Guangzhou Xincai Telecommunication Co., Ltd. (廣州信彩通訊技術有限公司) (“Guangzhou Xincai”) <sup>(6)</sup>	20	–	–
<b>Total</b>	<b>3,222</b>	<b>212</b>	<b>3,719</b>

### Amounts due from a shareholder

	As of December 31, 2014	2015	As of May 31, 2016
	RMB'000	RMB'000	RMB'000
Sino Impact HK <sup>(6)</sup>	–	–	5,838

- (1) In 2014, we provided a loan to Vixtel Science for its corporate maintenance purpose.
- (2) The amounts due to/from Hainan Feisida were transferred to trade receivables and trade payables on April 13, 2016, the date when Hainan Feisida ceased being a related party of our Group.
- (3) During the Track Record Period, we sold certain products to Hainan Feisida which served as one of our channel partners, and engaged it for installation engineering services. Mr. Yue, our chairman and an established figure in our industry, served as a member of the board of directors between August 2010 and April 2016, mainly for the purpose of marketing and was not involved in any operations or management of Hainan Feisida. We do not hold any shareholding in Hainan Feisida.
- (4) Our borrowings from Mr. Sie were used for settlement of a portion of [REDACTED] in Hong Kong dollars. Our borrowings from Mr. SZE Oi Kwan, who is Mr. Sie’s brother, were used for our working capital purposes. The above loans with related parties were unsecured, interest-free and repayable on demand.
- (5) During the Track Record Period, we also purchased hardware components from Guangzhou Xincai, which is an associate of Mr. Liang.
- (6) The amounts due from Sino Impact HK were the share subscription consideration payable by Sino Impact HK to subscribe Vixtel Technologies’ shares pursuant to the Capital Increase and Enlargement Agreement in December 2015. Vixtel Technologies’ new business license was not issued until March 2016 and hence Sino Impact HK was obligated to pay the consideration since then. Such consideration was fully paid by Sino Impact HK on July 6, 2016.



## **FINANCIAL INFORMATION**

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All balances from our related party transactions outstanding as of May 31, 2016 have been settled as of the Latest Practicable Date.

For further details of our related party transactions, see Note 24 to the Accountants' Report included in Appendix I to this document. Our Directors confirm that these related party transactions were conducted on normal commercial terms that are considered fair and reasonable and in the interest of our Shareholders as a whole, and would not distort our results of operations during the Track Record Period or make our historical results not reflective of our future performance.

### **FINANCIAL RISKS**

Our principal financial instruments comprise bank loans and cash and cash equivalents. We have various other financial assets and liabilities such as amounts due from related parties, trade receivables, other receivables, amounts due to related parties, trade payables and other payables and accruals, which arose directly from our operations.

We are exposed to various types of financial risks in the ordinary course of business, primarily including credit risk and liquidity risk. For further details of our financial risk management, see Note 27 to the Accountants' Report included in Appendix I to this document.

#### **Credit Risk**

The credit risk of our other financial assets, which comprise cash and cash equivalents, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since we trade only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by product type. We trade with state-owned telecommunication operators and some of them are ultimately controlled by the same state-owned telecommunication operators. As we trade with each provincial subsidiary of the state-owned telecommunication operators and these trade receivables are settled independently, there are no significant concentrations of credit risk within our Group.

#### **Liquidity Risk**

Our objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. We regularly review our major funding positions to ensure that we have adequate financial resources in meeting our financial obligations.

## FINANCIAL INFORMATION

The maturity profile of our financial liabilities as of the end of each reporting period, based on the contractual undiscounted payments, was as follows:

	<b>As of December 31, 2014</b>			<b>Total</b>
	<b>On demand</b>	<b>Less than three months</b>	<b>Three to less than 12 months</b>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank borrowings	–	63	4,085	4,148
Amounts due to related parties	3,232	–	–	3,232
Trade payables	305	10	1,764	2,079
Financial instruments included in other payables and accruals	155	–	–	155
<b>Total</b>	<b>3,692</b>	<b>73</b>	<b>5,849</b>	<b>9,614</b>

	<b>As of December 31, 2015</b>			<b>Total</b>
	<b>On demand</b>	<b>Less than three months</b>	<b>Three to less than 12 months</b>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	2,668	1,047	3,304	7,019
Financial instruments included in other payables and accruals	370	–	–	370
<b>Total</b>	<b>3,038</b>	<b>1,047</b>	<b>3,304</b>	<b>7,389</b>

	<b>As of May 31, 2016</b>			<b>Total</b>
	<b>On demand</b>	<b>Less than three months</b>	<b>Three to less than 12 months</b>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due to related parties	–	–	4,347	4,347
Trade payables	337	149	5,073	5,559
Financial instruments included in other payables and accruals	1,036	–	–	1,036
<b>Total</b>	<b>1,373</b>	<b>149</b>	<b>9,420</b>	<b>10,942</b>

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## FINANCIAL INFORMATION

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[REDACTED]

The [REDACTED] in connection with the [REDACTED] consist primarily of [REDACTED] commission and professional fees, and are estimated to be approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]) assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range, and the [REDACTED] is not exercised. During the Track Record Period, we incurred [REDACTED] of approximately RMB5.0 million, of which approximately RMB3.8 million was charged to our combined statements of comprehensive income during the Track Record Period, while the remaining amount of approximately RMB1.2 million was recorded as prepaid [REDACTED] and will be capitalized and deducted from the share premium upon the completion of the [REDACTED]. We expect to further incur [REDACTED] of approximately RMB[REDACTED] upon the completion of the [REDACTED], out of which approximately RMB[REDACTED] will be charged to the combined statements of comprehensive income, and approximately RMB[REDACTED] will be deducted from the share premium.

### DIVIDEND

We declared a dividend of RMB10.0 million and paid profit distribution of RMB3.8 million in the five months ended May 31, 2016 from our cash. The remainder of the dividend declared was settled as of the Latest Practicable Date.

We are a holding company incorporated in the Cayman Islands. The payment and amount of our future dividends will depend on the availability of dividends received from our subsidiaries. Distributions from us and our subsidiaries may also be subject to any restrictive covenants in bank credit facilities or loan agreements or other agreements that we or they may enter into in the future.

We currently do not have any pre-determined dividend payout ratio. The amount of dividends actually distributed to our Shareholders will depend on our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Board has the absolute discretion to recommend any dividends. Our dividend distribution record in the past may not be useful as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

### DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances which, had our Group been required to comply with Rules 17.15 to 17.21 of the GEM Listing Rules, would have given rise to disclosure requirements under Rules 17.15 to 17.21 of the GEM Listing Rules.

### DISTRIBUTABLE RESERVES

As of May 31, 2016, our Company had no distributable reserves.

## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Our unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our financial position had the [REDACTED] and the [REDACTED] been completed as of May 31, 2016 or at any future date.

	Combined net tangible assets of our Group attributable to owners of our Company as of May 31, 2016 <sup>(1)</sup> <i>RMB'000</i>	Estimated net proceeds from the [REDACTED] <sup>(2)</sup> <i>RMB'000</i>	Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company as of May 31, 2016 <sup>(4)</sup> <i>RMB'000</i>	Unaudited pro forma adjusted combined net tangible assets per Share <sup>(3)(5)</sup> <i>HK\$</i>
Based on a [REDACTED] of HK\$[REDACTED] per share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on a [REDACTED] of HK\$[REDACTED] per share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

- (1) The combined net tangible assets attributable to our Shareholders as of May 31, 2016 is based on our audited combined net assets attributable to our Shareholders as of May 31, 2016 of approximately RMB[REDACTED], as shown in the Accountants' Report, the text of which is set out in Appendix I to this document.
- (2) The estimated net proceeds from the [REDACTED] are based on the indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per share, being the lower end to higher end of the stated [REDACTED] range, after deduction of the [REDACTED] fees and [REDACTED] related expenses (excluding [REDACTED] of approximately RMB3.8 million, which have been charged to combined statements of profit or loss and other comprehensive income prior to May 31, 2016) and takes no account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate. The estimated net proceeds from [REDACTED] are converted from Hong Kong dollars into RMB at the PBOC rate of RMB1.0000 to HK\$1.1245 prevailing on the Latest Practicable Date.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived after adjustments referred to in the preceding paragraphs and on the basis of [REDACTED] Shares are in issue assuming that the [REDACTED] and the [REDACTED] had been completed on May 31, 2016, but takes no account of any Shares which may be allotted issued or repurchased by the Company pursuant to the general mandate.
- (4) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to May 31, 2016.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in RMB are converted into Hong Kong dollars at a rate of RMB1.0000 to HK\$1.1245. No representation is made that RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

### NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document there has been no material adverse change in our financial, operational or trading position since May 31, 2016.

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## **FUTURE PLANS AND USE OF PROCEEDS**

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### **FUTURE PLANS**

Our long-term objective is to become a leading international APM products and services provider. See “Business – Business Strategy” for a detailed description of our business objectives and strategies.

### **REASONS FOR THE [REDACTED] AND USE OF PROCEEDS**

We operate in China’s APM industry, which is an emerging segment of China’s IT industry. According to the F&S Report, the APM industry in China is relatively small and at its early stage as compared to other developed markets such as North America, which was 15 times larger than China and is the largest APM market in the world in 2015. China’s APM industry grew at a CAGR of 42.0% from 2010 to 2015 and is expected to expand rapidly and grow at a CAGR of 50.9% from 2015 to 2020. Our Group’s revenue increased by approximately 25.7% from RMB41.0 million for the year ended December 31 2014 to RMB51.5 million for the year ended December 31, 2015 and the net profit increased approximately 87.6% from RMB9.7 million to RMB18.3 million, respectively over the same period.

The increase in our revenue during the Track Record Period was due to the expansion of our customer base resulting from continuing marketing efforts and word-of-mouth references among customers regarding our high quality products and services. The increase in the number of our employees was commensurate with and also required by our business growth, as we generally need more employees to satisfy the demand for our products and services from customers and to provide after sales services support, upgrades and maintenance services in addition to R&D.

As our Group grows and expands riding on the rapid growth in the APM industry in China, our Directors are of the view that additional capital is required for innovation, research and development and other relevant aspects to keep up with the technological advancements and rising labor costs, in order to increase our market share and maintain our leading position in the industry. As of September 30, 2016, our Group had no bank borrowings and our Directors consider that it is difficult for our Group to raise a significant amount of debt with competitive terms and rate without a [REDACTED] status considering that commercial banks would require personal guarantees from shareholders and fixed asset as collaterals which we do not have. As such, our Directors consider that net proceeds from the [REDACTED] are necessary and crucial for strengthening our financial position and furthering our Group’s business strategies as set out in “Business – Business Strategy”.

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## **FUTURE PLANS AND USE OF PROCEEDS**

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Furthermore, while the [REDACTED] will provide the needed financial resources and a fund-raising platform to our Group for continued growth and to achieve our business strategies, our Directors also believe that the [REDACTED] would:

- a. improve our Company's ability to recruit, motivate and retain key management personnel and qualified R&D staff as well as to expediently and effectively capitalize on any business opportunities in our Group that may arise;
- b. enable our Company to offer an equity-based incentive program (such as a share option scheme) to our employees that more directly correlates to their performance in our Group's business, which is typical in the IT industry. Our Company would therefore be in a better position to motivate our employees with incentive programs that are closely aligned with the objective of creating value for the Shareholders;
- c. enhance our corporate profile and assist us in reinforcing our brand awareness and market reputation. A public [REDACTED] status on GEM is a complementary advertising for our Group to potential investors, customers and suppliers and can enhance our corporate profile and our credibility with the public and potential business partners;
- d. in the future, increase our Group's bargaining power in negotiating terms with potential customers and suppliers. As a [REDACTED] entity, our business partners will have more confidence in (i) the quality of our products; (ii) our financial strength and credibility; (iii) transparency in operations and financial reporting; and (iv) our internal control systems to regulate and monitor our operations;
- e. provide a platform for our Group to access to capital markets for future secondary fund raising through the issuance of shares and for debt securities to fund its existing operations and future expansion, which could involve lower financing cost as opposed to interest-bearing bank loans and enhance the ability to obtain bank financing with a [REDACTED] entity as compared to a private entity; and
- f. diversify the risk of ownership among a larger group of shareholders which is important as our Group continues to expand our business.

Accordingly, our Directors are of the view that it is necessary and appropriate for the GEM [REDACTED] to fulfill our business plan and future growth. Our Directors believe that a GEM [REDACTED] is beneficial to our Company and its Shareholders as a whole notwithstanding the dilution effect to the Controlling Shareholders of equity financing.

## FUTURE PLANS AND USE OF PROCEEDS

### USE OF PROCEEDS

Our Directors estimate that the net proceeds from the [REDACTED] (after deducting estimated expenses borne by our Company in connection with the [REDACTED] excluding [REDACTED] of approximately RMB[REDACTED] which have been charged to combined statements of profit or loss and other comprehensive income during the Track Record Period and subsequently settled as of September 30, 2016, but assuming the [REDACTED] is not exercised) will be approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]) based on a [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range between HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED]). The [REDACTED] is fully [REDACTED] under the terms of the [REDACTED]. We intend that the net proceeds will be applied as follows:

	For the Latest Practicable Date to December 31, 2016 <i>RMB'000</i>	For the six months ending June 30, 2017 <i>RMB'000</i>	For the six months ending December 31, 2017 <i>RMB'000</i>	For the six months ending June 30, 2018 <i>RMB'000</i>	For the six months ending December 31, 2018 <i>RMB'000</i>	For the six months ending June 30, 2019 <i>RMB'000</i>	Total <i>RMB'000</i>
Further solidify our leadership in China's APM market	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Continue to strengthen in-house research and development capabilities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Leverage growth opportunities in China and strategically expand into certain overseas markets	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General working capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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## FUTURE PLANS AND USE OF PROCEEDS

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We intend to use the net proceeds from the [REDACTED] for the purposes and in the amounts set out below:

- approximately [REDACTED]% of the net proceeds, or HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), to be used to further solidify our leadership in China's APM market;
- approximately [REDACTED]% of the net proceeds, or HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), to be used to continue to strengthen in-house research and development capabilities;
- approximately [REDACTED]% of the net proceeds, or HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), to be used to leverage growth opportunities in China and strategically expand into certain overseas markets; and
- approximately [REDACTED]% of the net proceeds, or HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), to be used to fund general corporate purposes.

In the event that the [REDACTED] (assuming the [REDACTED] is not exercised) is set at the high-end or the low-end of the proposed [REDACTED] range, the net proceeds from the [REDACTED] will increase or decrease to, high-end of approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]) and low-end of approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), after deducting related expenses, respectively. We intend to use the net proceeds based on the percentages disclosed above, regardless of whether the Shares are priced at the high-end or low-end of the proposed [REDACTED].

If the [REDACTED] is exercised in full, the estimated net proceeds from the [REDACTED] will increase to (1) approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), assuming that the final [REDACTED] is set at the lowest of the indicative [REDACTED] range, (2) approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), assuming that the final [REDACTED] is set at the mid-point of the indicative [REDACTED] range, and (3) approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), assuming that the final [REDACTED] is set at the highest of the indicative [REDACTED] range, respectively. We intend to apply the additional net proceeds from the exercise of the [REDACTED] in the same proportions as disclosed above.

To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments with authorized financial institutions or licensed banks.



## FUTURE PLANS AND USE OF PROCEEDS

### IMPLEMENTATION PLANS

The implementation plans set forth below are based on certain bases and assumptions. See “– Implementation Plans – Bases and Assumptions” for more details. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in “Risk Factors”. We cannot assure you that our business objectives will be achieved or our business plans will be implemented according to the estimated time frame or at all.

We set out below the implementation plans to carry out our business strategy from the Latest Practicable Date to June 30, 2019.

*For the period from the Latest Practicable Date to December 31, 2016*

<b>Business Strategy</b>	<b>Implementation Plan</b>	<b>Allocation of Net Proceeds from the [REDACTED]</b>
<ul style="list-style-type: none"> <li>• Further solidify our leadership in China’s APM market</li> </ul>	<ul style="list-style-type: none"> <li>• Increase the number of customers to which we provide on-site technical support through cross-selling and continued marketing efforts</li> <li>• Participate in major promotional events held by the relevant industry organizations and organize free online or on-site training and expert speaker sessions to broaden our customer awareness of our products and services</li> </ul>	<p>–<sup>(1)</sup></p>
<ul style="list-style-type: none"> <li>• Continue to strengthen in-house research and development capabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Recruit additional talented R&amp;D personnel</li> </ul>	<p>–<sup>(1)</sup></p>
<ul style="list-style-type: none"> <li>• Leverage growth opportunities in China and strategically expand into certain overseas markets</li> </ul>	<ul style="list-style-type: none"> <li>• Expand in-house sales and marketing team to cover more customers in the telecommunication industry and financial industry</li> </ul>	<p>–<sup>(1)</sup></p>

(1) We intend to use our internal resources instead of the net proceeds from the [REDACTED] to fund these implementation plans for the period from the Latest Practicable Date to December 31, 2016, due to the short period of time from the Latest Practicable Date to December 31, 2016.

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## FUTURE PLANS AND USE OF PROCEEDS

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*For the period from January 1, 2017 to June 30, 2017*

<b>Business Strategy</b>	<b>Implementation Plan</b>	<b>Allocation of Net Proceeds from the [REDACTED]</b>
• Further solidify our leadership in China's APM market	• Improve the functionalities and add new features for our existing products:	
	(1) optimize the NetVista platform, including adopting the technologies of physical and virtual agent integratable with an SDN/NFV environment,	[REDACTED]
	(2) optimize the trading business performance management system, including upgrading the performance analysis engine of our existing Trade QoS system to develop a self-defined "plug and play" decoding functionality, and	[REDACTED]
	(3) optimize the OTT performance management system, including developing a new platform for end-to-end video monitoring	[REDACTED]
	• Enter into additional sales agreements for system integration projects with major customers through continued marketing efforts	[REDACTED]
	• Participate in major marketing events held by the relevant industry organizations and organize free online or on-site training and expert speaker sessions to broaden our customer awareness of our products and services	[REDACTED]
		<hr/> <b>Total: [REDACTED]</b>

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**FUTURE PLANS AND USE OF PROCEEDS**

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<b>Business Strategy</b>	<b>Implementation Plan</b>	<b>Allocation of Net Proceeds from the [REDACTED]</b>
<ul style="list-style-type: none"> <li>• Continue to strengthen in-house research and development capabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Recruit additional talented R&amp;D personnel</li> </ul>	[REDACTED]
	<ul style="list-style-type: none"> <li>• Develop new products and contents:                             <ol style="list-style-type: none"> <li>(1) develop the cloud-based SaaS platform, including developing the technologies of cloud computing and service virtualization,</li> <li>(2) develop the big data collecting and analyzing system based on the performance data of applications and networks and the network equipment log data from our telecommunications operator customers, and</li> <li>(3) develop the mobile application performance management system, including developing functionalities of monitoring, analysis and optimization with regard to the performance of iOS and Android-based mobile applications</li> </ol> </li> </ul>	[REDACTED]  [REDACTED]  [REDACTED]
	<b>Total: [REDACTED]</b>	
	<ul style="list-style-type: none"> <li>• Leverage growth opportunities in China and strategically expand into certain overseas markets</li> </ul>	<ul style="list-style-type: none"> <li>• Recruit additional service specialists to further expand our technical support service department into 31 provinces and regions in China</li> <li>• Set up an overseas development department consisting of R&amp;D, sales and technical support service members specialized in overseas markets such as Asia-Pacific countries</li> </ul>
<b>Total: [REDACTED]</b>		

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## FUTURE PLANS AND USE OF PROCEEDS

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*For the period from July 1, 2017 to December 31, 2017*

Business Strategy	Implementation Plan	Allocation of Net Proceeds from the [REDACTED]
• Further solidify our leadership in China's APM market	• Improve the functionalities and add new features for our existing products:	
	(1) optimize the NetVista platform, including developing virtual agents that meet the industrial standards for virtual machine,	[REDACTED]
	(2) optimize the trading business performance management system, including upgrading our existing Trade QoS system to make it easily integratable with the various middleware used by SMEs in the financial industry, and	[REDACTED]
	(3) optimize the OTT performance management system, including developing a new platform for multi-picture video monitoring	[REDACTED]
	• Enter into additional sales agreements for system integration projects with major customers through continued marketing efforts	[REDACTED]
	• Participate in major marketing events held by the relevant industry organizations and organize free online or on-site training and expert speaker sessions to broaden our customer awareness of our products and services	[REDACTED]
		<hr/> <b>Total: [REDACTED]</b>

**FUTURE PLANS AND USE OF PROCEEDS**

Business Strategy	Implementation Plan	Allocation of Net Proceeds from the [REDACTED]
<ul style="list-style-type: none"> <li>Continue to strengthen in-house research and development capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Recruit additional talented R&amp;D personnel</li> <li>Develop new products and contents:               <ol style="list-style-type: none"> <li>develop the cloud-based SaaS platform, including developing the technology of ERP system analysis,</li> <li>develop the big data collecting and analyzing system, including developing a functionality of log analysis based on search engines and natural language search, and</li> <li>develop the mobile application performance management system, including establishing a cloud-based database consisting of dataflow from the mobile applications under monitoring</li> </ol> </li> </ul>	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>
		<hr/> <b>Total: [REDACTED]</b>
<ul style="list-style-type: none"> <li>Leverage growth opportunities in China and strategically expand into certain overseas markets</li> </ul>	<ul style="list-style-type: none"> <li>Set up an overseas development department consisting of R&amp;D, sales and technical support service members specialized in overseas markets such as Asia-Pacific countries</li> <li>Promote our new products and services, including the optimized NetVista platform, the trading business performance management system, the OTT performance management system, the cloud-based SaaS platform, the big data collecting and analyzing system and the mobile application performance management system, across China</li> </ul>	<p>[REDACTED]</p> <p>[REDACTED]</p>
		<hr/> <b>Total: [REDACTED]</b>

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## FUTURE PLANS AND USE OF PROCEEDS

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*For the period from January 1, 2018 to June 30, 2018*

<b>Business Strategy</b>	<b>Implementation Plan</b>	<b>Allocation of Net Proceeds from the [REDACTED]</b>
• Further solidify our leadership in China's APM market	• Improve the functionalities and add new features for our existing products:	
	(1) optimize the NetVista platform, including developing new APM functionalities for SDN/NFV environment,	[REDACTED]
	(2) optimize the trading business performance management system, including developing a functionality of customizable and editable analysis on trading transaction flow, and	[REDACTED]
	(3) optimize the OTT performance management system, including developing functionalities of analysis and optimization with regard to video user experience	[REDACTED]
	• Enter into additional sales agreements for all types of services with major customers through cross-selling and continued marketing efforts	[REDACTED]
	• Participate in major marketing events held by the relevant industry organizations and organize free online or on-site training and expert speaker sessions to broaden our customer awareness of our products and services	[REDACTED]
		<hr/> <b>Total: [REDACTED]</b>

**FUTURE PLANS AND USE OF PROCEEDS**

Business Strategy	Implementation Plan	Allocation of Net Proceeds from the [REDACTED]
<ul style="list-style-type: none"> <li>Continue to strengthen in-house research and development capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Recruit additional talented R&amp;D personnel</li> <li>Develop new products and contents:               <ol style="list-style-type: none"> <li>develop the cloud-based SaaS platform, including developing functionalities of management and performance analysis with regard to video conferencing, Internet video and online-to-offline services,</li> <li>develop the big data collecting and analyzing system, including developing a capability of fast correlation amid a large volume of performance data, and</li> <li>develop the mobile application performance management system, including developing a capability of code-level monitoring</li> </ol> </li> </ul>	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>
		<b>Total: [REDACTED]</b>
<ul style="list-style-type: none"> <li>Leverage growth opportunities in China and strategically expand into certain overseas markets</li> </ul>	<ul style="list-style-type: none"> <li>Set up an overseas development department consisting of R&amp;D, sales and technical support service members specialized in overseas markets such as Asia-Pacific countries</li> <li>Promote our new products and services, including the optimized NetVista platform, the trading business performance management system, the OTT performance management system, the cloud-based SaaS platform, the big data collecting and analyzing system and the mobile application performance management system, across China</li> </ul>	<p>[REDACTED]</p> <p>[REDACTED]</p>
		<b>Total: [REDACTED]</b>

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## FUTURE PLANS AND USE OF PROCEEDS

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*For the period from July 1, 2018 to December 31, 2018*

<b>Business Strategy</b>	<b>Implementation Plan</b>	<b>Allocation of Net Proceeds from the [REDACTED]</b>
• Further solidify our leadership in China's APM market	• Improve the functionalities and add new features for our existing products:	
	(1) optimize the NetVista platform, including developing a functionality of performance management of orchestrated applications for SDN/NFV environment,	[REDACTED]
	(2) optimize the trading business performance management system, including integrating such system with the big data collecting and analyzing system to strengthen its analysis and optimization capabilities with regard to transaction performance, and	[REDACTED]
	(3) optimize the OTT performance management system, including developing a functionality of big data-based video user behavior analysis	[REDACTED]
	• Enter into additional sales agreements for all types of services with major customers through cross-selling and continued marketing efforts	[REDACTED]
	• Participate in major marketing events held by the relevant industry organizations and organize free online or on-site training and expert speaker sessions to broaden our customer awareness of our products and services	[REDACTED]
		<hr/> <b>Total: [REDACTED]</b>



**FUTURE PLANS AND USE OF PROCEEDS**

Business Strategy	Implementation Plan	Allocation of Net Proceeds from the [REDACTED]
<ul style="list-style-type: none"> <li>Continue to strengthen in-house research and development capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Recruit additional talented R&amp;D personnel</li> </ul>	[REDACTED]
	<ul style="list-style-type: none"> <li>Develop new products and contents:                             <ol style="list-style-type: none"> <li>develop the cloud-based SaaS platform to support online subscription and billing systems,</li> <li>develop the big data collecting and analyzing system, including developing a new software and hardware platform where massive data can be analyzed simultaneously, and</li> <li>develop the mobile application performance management system, including establishing a cloud-based library of analysis results</li> </ol> </li> </ul>	[REDACTED]
		[REDACTED]
		[REDACTED]
<b>Total:</b> [REDACTED]		[REDACTED]
<ul style="list-style-type: none"> <li>Leverage growth opportunities in China and strategically expand into certain overseas markets</li> </ul>	<ul style="list-style-type: none"> <li>Set up an overseas development department consisting of R&amp;D, sales and technical support service members specialized in overseas markets such as Asia-Pacific countries</li> </ul>	[REDACTED]
	<ul style="list-style-type: none"> <li>Promote our new products and services, including the optimized NetVista platform, the trading business performance management system, the OTT performance management system, the cloud-based SaaS platform, the big data collecting and analyzing system and the mobile application performance management system, across China</li> </ul>	<b>Total:</b> [REDACTED]

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## FUTURE PLANS AND USE OF PROCEEDS

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*For the period from January 1, 2019 to June 30, 2019*

<b>Business Strategy</b>	<b>Implementation Plan</b>	<b>Allocation of Net Proceeds from the [REDACTED]</b>
• Further solidify our leadership in China's APM market	• Improve the functionalities and add new features for our existing products:	
	(1) optimize the NetVista platform, including developing a functionality of performance management with regard to virtual network and cloud computing,	[REDACTED]
	(2) optimize the trading business performance management system, including providing the public with programmatic access to such system, and	[REDACTED]
	(3) optimize the OTT performance management system, including developing a functionality of video resources management and optimization	[REDACTED]
	• Enter into additional sales agreements for all types of services with major customers through cross-selling and continued marketing efforts	[REDACTED]
	• Participate in major marketing events held by the relevant industry organizations and organize free online or on-site training and expert speaker sessions to broaden our customer awareness of our products and services	[REDACTED]
		<hr/> <b>Total: [REDACTED]</b>

**FUTURE PLANS AND USE OF PROCEEDS**

Business Strategy	Implementation Plan	Allocation of Net Proceeds from the [REDACTED]
<ul style="list-style-type: none"> <li>Continue to strengthen in-house research and development capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Recruit additional talented R&amp;D personnel</li> <li>Develop new products and contents:               <ol style="list-style-type: none"> <li>develop the cloud-based SaaS platform, including developing a customer relationship management system to improve business operation efficiency,</li> <li>develop the big data collecting and analyzing system, including adopting open-source cloud software to lower the cost of such system, and</li> <li>develop the mobile application performance management system, including integrating all the analysis tools for mobile application performance into one platform</li> </ol> </li> </ul>	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>
		<hr/> <p><b>Total: [REDACTED]</b></p>
<ul style="list-style-type: none"> <li>Leverage growth opportunities in China and strategically expand into certain overseas markets</li> </ul>	<ul style="list-style-type: none"> <li>Set up an overseas development department consisting of R&amp;D, sales and technical support service members specialized in overseas markets such as Asia-Pacific countries</li> <li>Promote our new products and services, including the optimized NetVista platform, the trading business performance management system, the OTT performance management system, the cloud-based SaaS platform, the big data collecting and analyzing system and the mobile application performance management system, across China</li> </ul>	<p>[REDACTED]</p> <p>[REDACTED]</p>
		<hr/> <p><b>Total: [REDACTED]</b></p>

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## **FUTURE PLANS AND USE OF PROCEEDS**

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### **Bases and Assumptions**

The implementation plans formulated by our Directors are based on the following general assumptions:

- There will be no material changes in the existing political, legal, fiscal, social or economic conditions in China or in any other places in which we carry on our business or will carry on our business;
- There will be no material changes in the prospects of the APM industry;
- There will be no material changes in industry trends and customer preferences due to technology advancement or otherwise that we are unable to accurately predict or address;
- There will be no significant changes in our business relationship with our major customers;
- We will have sufficient financial resources to meet the planned capital expenditure and business development plans during the period to which the business objectives relate;
- There will be no material changes in the existing government policies relating to the APM industry or in the political, economic or market conditions in the places in which we operate or will operate;
- There will be no material changes in the bases or rates of taxation in China;
- Our Group will be able to renew and obtain all relevant license required for our existing or proposed businesses;
- There will be no material changes in the funding required for each of the scheduled achievements as outlined in “– Future Plans – Implementation Plans”;
- We will be able to retain our key staff in our management team as well as our professional staff and recruit suitable staff for our expansion when and if necessary;
- We will not be materially affected by the risk factors as set out in “Risk Factors”; and
- We continue our existing operations in substantially the same manner as they were carried out during the Track Record Period and we will also be able to carry out our development plans without material disruptions.

## **UNDERWRITING**

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**[REDACTED]**

## **UNDERWRITING**

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**[REDACTED]**

## **UNDERWRITING**

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**[REDACTED]**

## **UNDERWRITING**

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**[REDACTED]**



## **UNDERWRITING**

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**[REDACTED]**

## **UNDERWRITING**

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**[REDACTED]**

## **UNDERWRITING**

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**[REDACTED]**

## **UNDERWRITING**

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**[REDACTED]**

### **INDEPENDENCE OF THE SOLE SPONSOR AND THE [REDACTED] INTERESTS IN OUR GROUP**

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

Save as disclosed above and/or provided in the [REDACTED], none of the Sole Sponsor, the [REDACTED] and the [REDACTED] is interested legally or beneficially in any shares of any of our Group's members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of its members nor any interest in the [REDACTED].

### **MINIMUM PUBLIC FLOAT**

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the [REDACTED].

**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

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[REDACTED]

**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

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**[REDACTED]**

**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

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**[REDACTED]**

**APPENDIX I**

**ACCOUNTANTS' REPORT**

*The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants of the company, Ernst & Young, Certified Public Accountants, Hong Kong.*

22/F CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

[REDACTED]

The Directors of  
Vixtel Technologies Holdings Limited  
KGI Capital Asia Limited

Dear Sirs,

We set out below our report on the financial information of Vixtel Technologies Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity, and the combined statements of cash flows of the Group for each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016 (the "Track Record Periods"), and the combined statements of financial position of the Group as at 31 December 2014 and 2015 and 31 May 2016 and the statements of financial position of the Company as at 31 December 2015 and 31 May 2016, together with the notes thereto (the "Financial Information"), and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity, and the combined statements of cash flows of the Group for the five months ended 31 May 2015 (the "Interim Comparative Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the document of the Company dated 30 November 2016 (the "Document") in connection with the [REDACTED] of the shares of the Company on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 10 November 2015. Pursuant to the group's reorganisation (the "Reorganisation") as set out in note 2.1 of Section II below, the Company became the holding company of the subsidiaries now comprising the Group on 17 May 2016. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements



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## APPENDIX I

## ACCOUNTANTS' REPORT

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of the companies now comprising the Group have been prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Track Record Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the combined financial statements of the Group (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

### DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

### REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

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**APPENDIX I**

**ACCOUNTANTS' REPORT**

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**OPINION IN RESPECT OF THE FINANCIAL INFORMATION**

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the financial position of the Group as at 31 December 2014, 31 December 2015 and 31 May 2016 and of the Company as at 31 December 2015 and 31 May 2016, and of the financial performance and cash flows of the Group for each of the Track Record Periods.

**REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION**

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**I. FINANCIAL INFORMATION**

**COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<i>Notes</i>	<b>Year ended</b>		<b>Five months ended</b>	
		<b>31 December</b>		<b>31 May</b>	
		<b>2014</b>	<b>2015</b>	<b>2015</b>	<b>2016</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)			
REVENUE	5	40,991	51,529	18,618	25,968
Cost of sales		<u>(17,275)</u>	<u>(20,328)</u>	<u>(7,582)</u>	<u>(10,757)</u>
Gross profit		23,716	31,201	11,036	15,211
Other income and gains	5	1,037	4,485	1,512	980
Selling and distribution expenses		(4,334)	(5,486)	(2,204)	(2,715)
Research and development expenses		(4,725)	(3,953)	(1,277)	(1,393)
Administrative expenses		(3,787)	(4,507)	(2,454)	(5,285)
Finance costs	7	<u>(251)</u>	<u>(182)</u>	<u>(108)</u>	<u>(8)</u>
PROFIT BEFORE TAX	6	11,656	21,558	6,505	6,790
Income tax expense	9	<u>(1,885)</u>	<u>(3,227)</u>	<u>(1,001)</u>	<u>(1,435)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>9,771</u>	<u>18,331</u>	<u>5,504</u>	<u>5,355</u>
Attributable to:					
Owners of the parent		<u>9,771</u>	<u>18,331</u>	<u>5,504</u>	<u>5,355</u>

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**COMBINED STATEMENTS OF FINANCIAL POSITION**

	<i>Notes</i>	<b>As at 31 December</b>		<b>As at</b>
		<b>2014</b>	<b>2015</b>	<b>31 May</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<b>2016</b>
				<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>				
Property and equipment	<i>12</i>	395	331	757
Long term deposits	<i>16</i>	213	6	225
Total non-current assets		<u>608</u>	<u>337</u>	<u>982</u>
<b>CURRENT ASSETS</b>				
Inventories	<i>13</i>	1,165	2,200	3,668
Gross amount due from contract customers	<i>14</i>	16,240	22,930	29,458
Trade receivables	<i>15</i>	9,378	14,213	15,200
Prepayments, deposits and other receivables	<i>16</i>	880	1,278	3,806
Due from a related party	<i>24(c)</i>	812	1,344	–
Due from shareholder	<i>24(c)</i>	–	–	5,838
Cash and cash equivalents	<i>17</i>	10,446	20,412	8,833
Total current assets		<u>38,921</u>	<u>62,377</u>	<u>66,803</u>
<b>CURRENT LIABILITIES</b>				
Trade payables	<i>18</i>	2,079	7,019	5,559
Gross amount due to contract customers	<i>14</i>	910	2,647	–
Other payables and accruals	<i>19</i>	9,623	11,762	17,053
Due to related parties	<i>24(c)</i>	3,232	212	3,719
Interest-bearing bank borrowings	<i>20</i>	3,991	–	–
Tax payable		728	3,712	2,899
Total current liabilities		<u>20,563</u>	<u>25,352</u>	<u>29,230</u>
<b>NET CURRENT ASSETS</b>		<u>18,358</u>	<u>37,025</u>	<u>37,573</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>18,966</u>	<u>37,362</u>	<u>38,555</u>
Net assets		<u>18,966</u>	<u>37,362</u>	<u>38,555</u>
<b>EQUITY</b>				
Issued capital		–	65	65
Reserves		18,966	37,297	38,490
Total equity		<u>18,966</u>	<u>37,362</u>	<u>38,555</u>

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**COMBINED STATEMENTS OF CHANGES IN EQUITY**

	Share capital RMB'000 Note 21	Capital reserve RMB'000 Note 22(b)	Statutory surplus reserve RMB'000 Note 22(c)	Retained profits/ (Accumulated loss) RMB'000	Total RMB'000
At 1 January 2014	–	30,674	–	(21,479)	9,195
Profit for the year	–	–	–	9,771	9,771
Total comprehensive income for the year	–	–	–	9,771	9,771
At 31 December 2014 and 1 January 2015	–	30,674*	–*	(11,708)	18,966
Profit for the year	–	–	–	18,331	18,331
Total comprehensive income for the year	–	–	–	18,331	18,331
Transfer from retained profits	–	–	662	(662)	–
Issue of share	65	–	–	–	65
At 31 December 2015 and 1 January 2016	65	30,674*	662*	5,961*	37,362
Profit for the period	–	–	–	5,355	5,355
Total comprehensive income for the period	–	–	–	5,355	5,355
Issue of Vixel Technologies shares	–	5,838	–	–	5,838
Dividend declared by a subsidiary	–	–	–	(10,000)	(10,000)
At 31 May 2016	65	36,512*	662*	1,316*	38,555
At 31 December 2014 and 1 January 2015	–	30,674	–	(11,708)	18,966
Profit for the period (unaudited)	–	–	–	5,504	5,504
Total comprehensive income for the period (unaudited)	–	–	–	5,504	5,504
At 31 May 2015(unaudited)	–	30,674	–	(6,204)	24,470

\* Included in reserves in the combined statements of financial position

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**COMBINED STATEMENTS OF CASH FLOWS**

	Notes	Year ended 31 December		Five months ended 31 May	
		2014 RMB'000	2015 RMB'000	2015 RMB'000 (Unaudited)	2016 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before tax		11,656	21,558	6,505	6,790
Adjustments for:					
Interest expenses	7	243	170	104	-
Interest income	6	(13)	(26)	(10)	(9)
Depreciation	6	265	181	78	106
		<u>12,151</u>	<u>21,883</u>	<u>6,677</u>	<u>6,887</u>
Increase in inventories		(629)	(1,035)	(844)	(1,468)
(Increase)/Decrease in gross amount due from contract customers		(8,811)	(6,690)	984	(6,528)
Increase in trade receivables		(1,719)	(4,835)	(10,770)	(987)
(Increase)/Decrease in amount due from related parties		-	(862)	-	1,344
Increase in prepayments, deposits and other receivables		(333)	(489)	(1,526)	(2,948)
(Increase)/decrease in long term deposits		(213)	207	213	(219)
(Decrease)/increase in trade payables		(2,235)	4,940	1,512	(1,460)
Increase/(decrease) in gross amount due to contract customers		708	1,737	1,738	(2,647)
Increase/(decrease) in other payables and accruals		2,410	3,619	1,746	(581)
Increase/(decrease) in amounts due to related parties		232	(20)	(20)	(212)
		<u>1,561</u>	<u>18,455</u>	<u>(290)</u>	<u>(8,819)</u>
Cash generated from/(used in) operations					
Interest received		13	26	10	9
Income tax paid		(249)	(242)	(59)	(2,248)
		<u>1,325</u>	<u>18,239</u>	<u>(339)</u>	<u>(11,058)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of items of property and equipment		-	(7)	(81)	(440)
Increase in amounts due from a related party		(330)	(1,650)	(1,650)	-
Repayment from a related party		-	1,980	1,980	-
		<u>(330)</u>	<u>323</u>	<u>249</u>	<u>(440)</u>
Net cash flows (used in)/from investing activities					
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
New bank borrowings		4,370	-	-	-
Repayments of bank borrowings		(7,179)	(3,991)	(1,383)	-
Increase in amounts due to a related party		3,000	-	-	3,719
Repayment of amounts due to a related party		-	(3,000)	(3,000)	-
Interest paid		(243)	(170)	(104)	-
Dividends paid by a subsidiary		-	(1,500)	(1,500)	(3,800)
Proceeds from issue of share	21	-	65	-	-
		<u>(52)</u>	<u>(8,596)</u>	<u>(5,987)</u>	<u>(81)</u>
Net cash flows used in financing activities					
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
		943	9,966	(6,077)	(11,579)
Cash and cash equivalents at beginning of year/period		9,503	10,446	10,446	20,412
		<u>10,446</u>	<u>20,412</u>	<u>4,369</u>	<u>8,833</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD</b>					
		<u>10,446</u>	<u>20,412</u>	<u>4,369</u>	<u>8,833</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>					
Cash and bank balance	17	<u>10,446</u>	<u>20,412</u>	<u>4,369</u>	<u>8,833</u>

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**STATEMENTS OF FINANCIAL POSITION**

	<i>Notes</i>	<b>As at 31 December 2015 RMB'000</b>	<b>As at 31 May 2016 RMB'000</b>
<b>CURRENT ASSETS</b>			
Prepayments, deposits and other receivables	<i>16</i>	–	1,233
Cash and cash equivalents	<i>17</i>	<u>65</u>	<u>66</u>
Total current assets		<u>65</u>	<u>1,299</u>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	<i>19</i>	–	948
Due to related parties	<i>24(c)</i>	<u>–</u>	<u>4,050</u>
Total current liabilities		<u>–</u>	<u>4,998</u>
Total assets less current liabilities		<u>65</u>	<u>4,998</u>
Net assets/(liabilities)		<u><u>65</u></u>	<u><u>(3,699)</u></u>
<b>EQUITY/(DEFICIENCY IN ASSETS)</b>			
Issued capital		65	65
Reserves	<i>22(d)</i>	<u>–</u>	<u>(3,764)</u>
Total equity/(deficiency in assets)		<u><u>65</u></u>	<u><u>(3,699)</u></u>

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### II. NOTES TO THE FINANCIAL INFORMATION

#### 1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 10 November 2015 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The address of the registered office of the Company is P.O. BOX 1350, Clifton House 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in providing application performance management (“APM”) solutions (the “[REDACTED] Business”) in the People’s Republic of China (the “PRC”).

Prior to the incorporation of the Company and the completion of the Reorganisation, the [REDACTED] Business were mainly carried out by Vixtel Technologies Limited, which was established in the PRC.

In preparation for the [REDACTED] of the Company’s shares on the GEM of the Stock Exchange of Hong Kong Limited (the “[REDACTED]”), the Group underwent the Reorganisation as set out in the paragraph headed “Our Group’s Reorganisation” under the section headed “History, Reorganisation and Corporate Structure” in the Document.

As of the date of this report, the Company has direct and indirect interests in the following entities:

Company name	Date and place of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Vixtel Systems Limited (a)	17 November 2015, British Virgin Islands	US\$1	100	–	Investment holding
Vixtel Networks Limited (a)	27 November 2015, Hong Kong	HK\$10,000	–	100	Investment holding
Sino Impact Company Holding Limited (a)	30 October 2015, Hong Kong	HK\$10,000	–	100	Investment holding
Vixtel Technologies Limited (b)	29 September 2006, PRC	RMB35,882,400	–	100	Provision of APM solutions

(a) No audited financial statements have been prepared as these companies were either newly incorporated in 2015 or they were incorporated in jurisdictions which do not have any statutory audit requirements.

(b) The statutory financial statements for the years ended 31 December 2014 and 2015 prepared in accordance with PRC Generally Accepted Accounting Principles (the “PRC GAAP”) were audited by Zhongshi Certified Public Accountants Limited Company (“中實會計師事務所有限責任公司”), certified public accountants registered in the PRC.

#### 2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed “Our Group’s Reorganisation” under the section headed “History, Reorganisation and Corporate Structure” in the Document, the Company became the holding company of the companies now comprising the Group on 17 May 2016. As the Reorganisation only involved inserting new holding companies and has not resulted in any change of economic substances, the Financial Information for the Track Record Periods has been presented as a continuation of the existing company using the pooling of interests method as if the Reorganisation had been completed at the beginning of the Track Record Periods.

Accordingly, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows are prepared as if the current group structure had been in existence throughout the Track Record Periods and the five months ended 31 May 2015. The combined statements of financial position as at 31 December 2014, 31 December 2015 and 31 May 2016 present the assets and the liabilities of the companies now comprising the Group, as if the current group structure had been in existence at those dates.



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All intra-group transactions and balances have been eliminated on combination.

### 2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations issued by the HKICPA. All HKFRSs effective for the accounting period commencing from 1 January 2016, together with the relevant transitional provisions, have been early adopted in the preparation of the Financial Information throughout the Track Record Periods and in the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB"), and all values are rounded to the nearest thousand except otherwise indicated.

### 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	<i>Financial Instruments</i> <sup>1</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>1</sup>
HKFRS 16	<i>Leases</i> <sup>2</sup>
Amendments to HKAS 2	<i>Share-based payment</i> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
Amendments to HKAS 7	<i>Disclosure Initiative</i> <sup>3</sup>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealized Losses</i> <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>4</sup> Effective date is yet to be determined

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. In June 2016, HKICPA issued clarifications to HKFRS 15. The clarifications address implementation questions on identifying performance obligations, application guidance on principal versus agent, licences of intellectual property and transition to HKFRS 15. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of the standard.

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Except as described above, the Group anticipates that the application of other new and revised standards will have no material impact on the results and the financial position of the Group.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Asset Held For Sale and Discontinued Operations* are stated at cost less any impairment losses.

#### Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value either recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

### **Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Track Record Periods as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the profit or loss in the period in which it arises.

### **Related parties**

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group; or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);

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- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personal services to the Group or to the parent of the Group.

### Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Motor vehicles	20%
Furniture and fixtures	33%
Computer equipment	33%
Leasehold improvements	50%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the profit or loss in the year the asset is derecognized is the difference between the net sale proceeds and the carrying amount of the relevant asset.

### Research and development costs

All research costs are charged to the statement of profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalized and deferred only when our Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, our intention to complete and our ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

### Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the profit or loss on the straight-line basis over the lease terms.

### Investments and other financial assets

#### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in other income and gains in the profit or loss. The loss arising from impairment is recognized in the profit or loss in finance costs for loans and in other expenses for receivables.

### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's combined statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### **Impairment of financial assets**

The Group assesses at the end of each of the Track Record Periods whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial Reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

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If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the profit or loss.

### **Financial liabilities**

#### ***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, amounts due to related parties, and interest-bearing bank borrowings.

#### ***Subsequent measurement***

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the profit or loss.

### **Derecognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the profit or loss.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### **Cash and cash equivalents**

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

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### **Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Track Record Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### **Government grants**

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the profit or loss by way of a reduced depreciation charge.



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### Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

- (a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;
- (b) from rendering of services, on the straight line basis over the contract term;
- (c) from the sale of goods (i.e., standard hardware and software), when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets; and
- (e) dividend income, when the shareholders' right to receive payment has been established.

### Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognized using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is treated as an amount due to contract customers.

### Employee benefits

#### *Pension scheme*

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiary operating in Mainland China is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in the profit or loss.



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Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

### Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Track Record Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### *Current and deferred tax*

Significant judgment is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of the tax liabilities; such changes to tax liabilities will impact tax expense in the period that such determination is made.

#### *Percentage of completion of construction works*

Revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the costs incurred to the total budgeted costs. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major suppliers and the experience of the management. In order to keep the budget accurate and up-to-date, the management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual amounts incurred.

#### *Impairment for trade receivable*

The Group assesses the collectability of trade receivables periodically and makes impairment provision when there is objective evidence that a trade receivable is impaired. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers deteriorates such that the actual impairment loss might be higher than expected, the Group would be required to revise the basis for making the provision and its future results would be affected.

### 4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of APM solutions in the PRC.

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

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### Geographical information

During the Track Record Periods, the Group operated within one geographical segment because all of its revenue was generated in the Mainland China and all of its non-current assets/capital expenditure was located/incurred in the Mainland China. Accordingly, no geographical segment information is presented.

### Information about major customers

Revenue of approximately RMB18,540,000 for the five months ended 31 May 2016 (the five months ended 31 May 2015: RMB13,900,000 (unaudited), the year ended 31 December 2015: RMB37,404,000, the year ended 31 December 2014: RMB33,703,000), was derived from several provincial subsidiaries under common control by a state-owned telecommunication operator group and accounts for more than 10% of the total revenue.

Revenue of approximately RMB3,134,000 during the five months ended 31 May 2016 (the five months ended 31 May 2015: RMB1,830,000 (unaudited), the year ended 31 December 2015: RMB8,741,000, the year ended 31 December 2014: RMB10,881,000) was derived from sales to a particular provincial subsidiary of the state-owned telecommunication operator group and accounts for more than 10% of the total revenue.

### 5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of provision of APM solutions during the Track Record Periods.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December		Five months ended 31 May	
	2014 RMB'000	2015 RMB'000	2015 RMB'000 (Unaudited)	2016 RMB'000
<u>Revenue</u>				
Construction contracts				
– System integration	24,912	26,740	9,487	20,079
Construction contracts				
– Software development	5,852	6,994	3,863	2,559
Rendering of services	9,386	15,080	4,177	2,204
Sales of goods				
– Standard hardware and software	841	2,715	1,091	1,126
	<u>40,991</u>	<u>51,529</u>	<u>18,618</u>	<u>25,968</u>
<u>Other income and gains</u>				
Interest income	13	26	10	9
Government grants				
– related to expense (#)	1,021	4,456	1,502	963
Others	3	3	–	8
	<u>1,037</u>	<u>4,485</u>	<u>1,512</u>	<u>980</u>

# Government grants were received from the government of the PRC mainly for refunding previously paid on value added tax. There are no unfulfilled conditions or contingencies relating to the grants.

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**6. PROFIT BEFORE TAX**

The Group's profit before tax is arrived at after charging/(crediting):

	<b>Year ended 31 December</b>		<b>Five months ended 31 May</b>	
	<b>2014</b>	<b>2015</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	
Cost of inventories sold	494	756	130	296
Cost of service rendered	16,781	19,572	7,452	10,461
Employee benefit expense (excluding directors' and chief executives' remuneration:				
Wages and salaries	10,576	14,087	4,981	6,937
Pension scheme contributions (defined contribution scheme)	799	1,044	410	451
Depreciation of property and equipment	265	181	78	106
Minimum lease payments under operating leases:				
– properties	649	770	208	441
[REDACTED]	–	–	–	3,765
Bank interest income	(13)	(26)	(10)	(9)

**7. FINANCE COSTS**

	<b>Year ended 31 December</b>		<b>Five months ended 31 May</b>	
	<b>2014</b>	<b>2015</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	
Bank charges	8	12	4	8
Interest expenses	243	170	104	–
	<u>251</u>	<u>182</u>	<u>108</u>	<u>8</u>

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**8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES**

**(a) Directors' remuneration**

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors at any time during the Track Record Periods.

Subsequent to the end of the Track Record Periods, Mr. Yue Yong, Mr. Sie Tak Kwan, Mr. Guan Haiqing were appointed as executive directors of the Company on 28 July 2016. Mr. Liang Judong was appointed as non-executive directors of the Company on 28 July 2016. Mr. Cheung Hon Fai, Mr. Lam Kin Man and Mr. Shen Qi were appointed as independent non-executive directors of the Company on 28 July 2016, and Mr. Sie Tak Kwan was appointed as the chief executive of the Company on 28 July 2016.

Certain of the directors received remuneration from a subsidiary of the Group for their appointment as directors or senior management of this subsidiary. The remuneration of each of these directors as recorded in the financial statements of the subsidiary is set out below:

	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Salaries, allowances and benefits in kind	1,409	1,570	551	720
Pension scheme contributions	49	55	16	17
	<u>1,458</u>	<u>1,625</u>	<u>567</u>	<u>737</u>

*Executive directors and non-executive directors*

Year ended 31 December 2014	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:			
Mr. Yue Yong	520	19	539
Mr. Sie Tak Kwan	371	10	381
Mr. Guan Haiqing	260	10	270
Non-executive director:			
Mr. Liang Judong	258	10	268
	<u>1,409</u>	<u>49</u>	<u>1,458</u>
Year ended 31 December 2015			
Executive directors:			
Mr. Yue Yong	520	18	538
Mr. Sie Tak Kwan	352	12	364
Mr. Guan Haiqing	440	15	455
Non-executive director:			
Mr. Liang Judong	258	10	268
	<u>1,570</u>	<u>55</u>	<u>1,625</u>

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<b>Five months ended 31 May 2016</b>	<b>Salaries, allowances and benefits in kind RMB'000</b>	<b>Pension scheme contributions RMB'000</b>	<b>Total remuneration RMB'000</b>
Executive directors:			
Mr. Yue Yong	220	4	224
Mr. Sie Tak Kwan	220	4	224
Mr. Guan Haiqing	220	7	227
Non-executive director:			
Mr. Liang Judong	60	2	62
	720	17	737
	720	17	737

<b>Five months ended 31 May 2015 (Unaudited)</b>	<b>Salaries, allowances and benefits in kind RMB'000</b>	<b>Pension scheme contributions RMB'000</b>	<b>Total remuneration RMB'000</b>
Executive directors:			
Mr. Yue Yong	200	4	204
Mr. Sie Tak Kwan	112	4	116
Mr. Guan Haiqing	140	4	144
Non-executive director:			
Mr. Liang Judong	99	4	103
	551	16	567
	551	16	567

Though the above directors were appointed after 31 May 2016, the above remuneration information of each of these directors was recorded in the financial statements of the subsidiary.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Track Record Periods.

**(b) Five highest paid employees**

The five highest paid employees of the Group during the year ended 31 December 2014 and 2015 and five months ended 31 May 2015 and 2016 included 3, 3, 3 and 3 directors, respectively, details of whose remuneration are set out in Note 8(a) above. Details of the remuneration of the remaining 2, 2, 2 and 2 highest paid employees who are neither a director nor chief executive of the Group during the year ended 31 December 2014 and 2015 and five months ended 31 May 2015 and 2016 are as follows:

	<b>Year ended 31 December</b>		<b>Five months ended 31 May</b>	
	<b>2014</b>	<b>2015</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and benefits in kind	581	690	265	336
Pension scheme contributions	19	19	8	8
	600	709	273	344
	600	709	273	344

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The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015	2016
Nil to HK\$1,000,000	2	2	2	2

(Unaudited)

During the Track Record Periods and five months ended 31 May 2015, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

**9. INCOME TAX**

The Company was incorporated in Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and accordingly is not subject to income tax.

No Hong Kong profits tax has been provided since no assessable profit arose in Hong Kong during the Track Record Periods.

Pursuant to the PRC Income Tax Law and the respective regulations, Vixtel Technologies Limited is subject to Corporate Income Tax at a rate of 25% on the taxable profit. Preferential tax treatment is available to Vixtel Technologies Limited, which was recognized as a High and New Technology Enterprise in 2010 in Mainland China and a lower PRC corporate income tax of 15% had been applied since then. The certificate of High and New Technology Enterprise has to be renewed every three years and re-applied every six years.

The Company is in the process of reapplying certificate of High and New Technology Enterprise and anticipates to obtain the certificate in November 2016.

	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	
Current – PRC	804	3,227	1,001	1,435
Deferred	1,081	–	–	–
Total tax charge for the year/period	<u>1,885</u>	<u>3,227</u>	<u>1,001</u>	<u>1,435</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate of Mainland China (i.e., 25%) where the main operating entity is domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	Year ended 31 December			
	2014		2015	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Profit before tax	<u>11,656</u>		<u>21,558</u>	
Tax at the applicable tax rate	2,914	25	5,392	25
Expenses not deductible for tax	303	3	282	1
Lower tax rate for specific entity in the PRC	(1,165)	(10)	(2,156)	(10)
Additional deductible allowance for research and development costs	<u>(167)</u>	<u>(1)</u>	<u>(291)</u>	<u>(1)</u>
	<u>1,885</u>	16	<u>3,227</u>	15

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	<b>Five months ended 31 May</b>			
	<b>2015</b>		<b>2016</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(Unaudited)			
Profit before tax	<u>6,505</u>		<u>6,790</u>	
Tax at the applicable tax rate	1,626	25	1,697	25
Expenses not deductible for tax	149	2	161	2
Lower tax rate for specific entity in the PRC	(651)	(10)	(849)	(13)
Effect of international tax rate differences	–	–	565	8
Additional deductible allowance of research and development costs	<u>(123)</u>	(2)	<u>(139)</u>	(2)
	<u>1,001</u>	15	<u>1,435</u>	21

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China.

The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 May 2016, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiary established in Mainland China as there was no significant amount of temporary differences associated with the investment in Vixtel Technologies Limited for which deferred tax liabilities have not been recognized.

There are no income tax consequences attaching to the payment of dividends by the Company to its then shareholders.

**10. DIVIDENDS**

Dividends of RMB10,000,000 have been declared by Vixtel Technologies Limited to its then shareholders in which RMB3,800,000 have been paid during the five months ended 31 May 2016. No dividends have been declared by the Company since the date of incorporation.

**11. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT**

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group on a combined basis as disclosed in note 2.1 above.

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**12. PROPERTY AND EQUIPMENT**

	<b>Motor vehicles RMB'000</b>	<b>Furniture and fixtures RMB'000</b>	<b>Computer equipment RMB'000</b>	<b>Total RMB'000</b>
<b>31 December 2014</b>				
At 1 January 2014:				
Cost	317	230	562	1,109
Accumulated depreciation	(32)	(171)	(357)	(560)
Net carrying amount	<u>285</u>	<u>59</u>	<u>205</u>	<u>549</u>
At 1 January 2014, net of accumulated depreciation				
	285	59	205	549
Additions	–	6	105	111
Depreciation provided during the year (note 6)	(63)	(41)	(161)	(265)
At 31 December 2014, net of accumulated depreciation	<u>222</u>	<u>24</u>	<u>149</u>	<u>395</u>
At 31 December 2014:				
Cost	317	236	667	1,220
Accumulated depreciation	(95)	(212)	(518)	(825)
Net carrying amount	<u>222</u>	<u>24</u>	<u>149</u>	<u>395</u>
	<b>Motor vehicles RMB'000</b>	<b>Furniture and fixtures RMB'000</b>	<b>Computer equipment RMB'000</b>	<b>Total RMB'000</b>
<b>31 December 2015</b>				
At 1 January 2015:				
Cost	317	236	667	1,220
Accumulated depreciation	(95)	(212)	(518)	(825)
Net carrying amount	<u>222</u>	<u>24</u>	<u>149</u>	<u>395</u>
At 1 January 2015, net of accumulated depreciation				
	222	24	149	395
Additions	–	–	117	117
Depreciation provided during the year (note 6)	(64)	(22)	(95)	(181)
At 31 December 2015, net of accumulated depreciation	<u>158</u>	<u>2</u>	<u>171</u>	<u>331</u>
At 31 December 2015:				
Cost	317	236	784	1,337
Accumulated depreciation	(159)	(234)	(613)	(1,006)
Net carrying amount	<u>158</u>	<u>2</u>	<u>171</u>	<u>331</u>



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	Motor vehicles <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Computer equipment <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Total <i>RMB'000</i>
<b>31 May 2016</b>					
At 1 January 2016:					
Cost	317	236	784	–	1,337
Accumulated depreciation	(159)	(234)	(613)	–	(1,006)
Net carrying amount	<u>158</u>	<u>2</u>	<u>171</u>	<u>–</u>	<u>331</u>
At 1 January 2016, net of accumulated depreciation					
Additions	158	2	171	–	331
Depreciation provided during the year ( <i>note 6</i> )	–	22	186	324	532
	<u>(26)</u>	<u>(2)</u>	<u>(51)</u>	<u>(27)</u>	<u>(106)</u>
At 31 May 2016, net of accumulated depreciation	<u>132</u>	<u>22</u>	<u>306</u>	<u>297</u>	<u>757</u>
At 31 May 2016:					
Cost	317	258	970	324	1,869
Accumulated depreciation	(185)	(236)	(664)	(27)	(1,112)
Net carrying amount	<u>132</u>	<u>22</u>	<u>306</u>	<u>297</u>	<u>757</u>

**13. INVENTORIES**

	As at 31 December 2014 <i>RMB'000</i>	2015 <i>RMB'000</i>	As at 31 May 2016 <i>RMB'000</i>
Finished goods	983	2,101	1,706
Raw materials	182	99	1,962
	<u>1,165</u>	<u>2,200</u>	<u>3,668</u>

**14. CONSTRUCTION CONTRACTS**

	As at 31 December 2014 <i>RMB'000</i>	2015 <i>RMB'000</i>	As at 31 May 2016 <i>RMB'000</i>
Gross amount due from contract customers	16,240	22,930	29,458
Gross amount due to contract customers	(910)	(2,647)	–
	<u>15,330</u>	<u>20,283</u>	<u>29,458</u>
Contract costs incurred plus recognized profits less recognized losses to date			
Less: Progress billings	35,216	50,945	68,478
	<u>(19,886)</u>	<u>(30,662)</u>	<u>(39,020)</u>
	<u>15,330</u>	<u>20,283</u>	<u>29,458</u>

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**15. TRADE RECEIVABLES**

	<b>As at 31 December</b>		<b>As at 31 May</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	9,378	14,213	15,200

Trade receivables represented the outstanding contracted values for construction contracts, sale of goods and rendering of services receivable from the customers at the end of each of the Track Record Periods. The Group's trading terms with its customers are mainly on credit. For construction contracts, the credit period granted to the customers is normally 30 to 60 business days upon issuance of invoice and receipt of certain forms of acceptance from its customers during the course of construction. The forms of acceptance evidence the satisfaction from the customers of the progress of construction. For sale of goods, the credit period granted to the customers is normally 30 to 60 business days upon the goods were accepted by the customers. For rendering of services, the credit period granted to the customers is normally due upon completion of the service. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables related to a large number of largest state-owned telecommunications operators in Mainland China and its independently-operated provincial subsidiaries, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of each of the Track Record Periods, based on the billing date, is as follows:

	<b>As at 31 December</b>		<b>As at 31 May</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	6,129	12,374	8,618
90 to 180 days	533	656	3,768
180 to 1 year	2,045	566	2,490
Over 1 year	670	616	324
	9,378	14,213	15,200

An aged analysis of the trade receivables that are past due but not individually nor collectively considered to be impaired is as follows:

	<b>As at 31 December</b>		<b>As at 31 May</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	5,240	11,108	4,826
Less than 6 months past due	3,087	2,360	9,139
6 to 12 months past due	381	493	1,045
Over 12 months past due	670	252	190
	9,378	14,213	15,200

Receivables past due but not impaired mainly related to a large number of provincial subsidiaries of a state-owned telecommunication operator in Mainland China for whom there was no recent history of default.

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**16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

Group	As at 31 December		As at 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Non-current portion			
Rental deposits	213	6	225
Current portion			
Prepayments	37	30	166
Prepaid rental expenses	–	–	305
Rental deposits	–	249	154
Advance to employees	509	388	686
Bidding deposits	317	611	920
Others	17	–	342
Prepaid [REDACTED]	–	–	1,233
	<u>1,093</u>	<u>1,284</u>	<u>4,031</u>

Company	As at 31 December		As at 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Current portion			
Prepaid [REDACTED]	–	–	1,233

**17. CASH AND CASH EQUIVALENTS**

Group	As at 31 December		As at 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Cash and bank balances	<u>10,446</u>	<u>20,412</u>	<u>8,833</u>
Denominated in:			
RMB	10,446	20,334	8,755
HK\$	<u>–</u>	<u>78</u>	<u>78</u>

At the end of each of the Track Record Periods, nearly all the cash and bank balances of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Company	As at 31 December		As at 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Cash and bank balances	<u>–</u>	<u>65</u>	<u>66</u>
Denominated in:			
HK\$	<u>–</u>	<u>78</u>	<u>78</u>

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**ACCOUNTANTS' REPORT**

**18. TRADE PAYABLES**

An aged analysis of the trade payables as at the end of each of the Track Record Periods, based on the invoice date, is as follows:

	As at 31 December		As at 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Within 90 days	1,764	3,304	5,073
90 to 180 days	10	1,047	149
180 to 1 year	4	2,421	337
Over 1 year	301	247	–
Total	<u>2,079</u>	<u>7,019</u>	<u>5,559</u>

Trade Payable are non-interest bearing and are normally settled on 90 days upon acceptance.

**19. OTHER PAYABLES AND ACCRUALS**

Group	As at 31 December		As at 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Salary and welfare payable	4,664	5,899	5,251
Other tax payable	3,179	4,872	4,216
Dividend payable (note 10)	1,500	–	6,200
Other payables	155	370	1,036
Advance from customers	125	621	350
	<u>9,623</u>	<u>11,762</u>	<u>17,053</u>

Company	As at 31 December		As at 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
[REDACTED]	–	–	628
	<u>–</u>	<u>–</u>	<u>628</u>

Other payables are non-interest-bearing and repayable on demand.

**20. INTEREST-BEARING BANK BORROWINGS**

Current	Effective	Maturity	As at
	interest rate		31 December
	(%)		2014
			RMB'000
Bank loans	5.6–7.8	2015	3,991
	<u>5.6–7.8</u>	<u>2015</u>	<u>3,991</u>

The loan was guaranteed by Mr. Sie Tak Kwan together with his spouse and Vixtel Science.

## APPENDIX I

## ACCOUNTANTS' REPORT

### 21. SHARE CAPITAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 10 November 2015 with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1 each, of which 1 share was allotted and fully paid on the same date. The Company further issued 9,999 shares at US\$1 each on 10 November 2015. On March 18, 2016, the authorized share capital of the Company was increased to the aggregate of US\$50,000.00 and HK\$390,000.00 by the creation of an additional 39,000,000 Shares with a par value of HK\$0.01. On the same day, 7,800,000 fully paid shares with par value of HK\$0.01 were issued and allotted pro rata to the shareholders of the 10,000 shares with par value of US\$1. Simultaneously the 10,000 shares with par value of US\$1 were repurchased and all authorized unissued shares with par value of US\$1 were cancelled. The share capital structure has been restated as if the structure was in existence both of 31 December 2015 and 31 May 2016.

	As at 31 December 2015 RMB'000	As at 31 May 2016 RMB'000
Authorized:		
39,000,000 ordinary shares (of HK\$0.01 each)	325	329
Issued and fully paid:		
7,800,000 ordinary shares (of HK\$0.01 each)	65	65

Save for the aforesaid and the Reorganisation, the Company has not conducted any business since the date of its incorporation.

### 22. RESERVES

#### (a) Group

The amounts of the Group's reserves and the movements therein for each of the Track Record Periods and the five months ended 31 May 2015 are presented in the combined statements of changes in equity on page 6 of this report.

#### (b) Capital reserve

The capital reserve of the Group represents the capital contribution from the shareholders of Vixtel Technologies Limited.

#### (c) Statutory surplus reserve

Pursuant to the relevant laws in the PRC, the Company's subsidiary in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiary.

In accordance with the Company Law of the PRC, the domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the [REDACTED] is not less than 25% of the registered capital.

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ACCOUNTANTS' REPORT

(d) Company

	Share capital RMB'000 Note 21	Accumulated losses RMB'000	Total RMB'000
At 31 December 2014 and 1 January 2015	—	—	—
Profit for the year	—	—	—
Issue of shares	65	—	65
At 31 December 2015 and 1 January 2016	65	—	65
Loss for the period	—	(3,764)	(3,764)
Total comprehensive loss for the period	—	(3,764)	(3,764)
At 31 May 2016	65	(3,764)	(3,699)

23. COMMITMENTS

Operating lease commitments

As lessee

The Group leases certain of its offices under operating lease arrangements. Leases for offices were negotiated for terms of 1 to 2 years. As at the end of each of the Track Record Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December 2014 RMB'000	2015 RMB'000	As at 31 May 2016 RMB'000
Within one year	524	320	1,241
In the second to fifth years, inclusive	199	30	625
	723	350	1,866

24. RELATED PARTY TRANSACTIONS

(a) Names and relationships of related parties

Name	Relationship
Mr. Sie Tak Kwan	Director of the Company
Mr. Sze Oi Kwan	Brother of a director
Vixtel Science (Beijing) Co., Ltd. ("Vixtel Science") 飛思達科技(北京)有限公司	The then Shareholder of Vixtel Technologies Limited
Hainan Feisida Information Technologies Co., Ltd ("Hainan Feisida") 海南飛思達通信技術有限公司	A company of which Mr. Yue Yong was director – until 13 April 2016
Guangzhou Xincai Telecommunication Co., Ltd. ("Xincai") 廣州信彩通訊技術有限公司	A company controlled by a director of the Company

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**(b) Transactions with a related party**

*(i) Purchases of products:*

	As at 31 December		As at 31 May	
	2014 RMB'000	2015 RMB'000	2015 RMB'000	2016 RMB'000
Xincai	444	444	–	–
Hainan Feisida	–	181	181	–

*(ii) Sales of products:*

	Year ended 31 December		Five months ended 31 May	
	2014 RMB'000	2015 RMB'000	2015 RMB'000	2016 RMB'000
Hainan Feisida	34	1,464	1,343	–

*(iii) Other transaction with a related party:*

	Year ended 31 December		Five months ended 31 May	
	2014 RMB'000	2015 RMB'000	2015 RMB'000	2016 RMB'000
Advances to a related party:				
Vixtel Science	330	1,650	1,650	–
Repayment of advances to a related party:				
Vixtel Science	–	1,980	1,980	–
Advances from related parties:				
Mr. Sze Oi Kwan	3,000	–	–	–
Mr. Sie Tak Kwan	–	–	–	3,719
Repayment of an advances to a related party:				
Mr. Sze Oi Kwan	–	3,000	3,000	–

**(c) Outstanding balances with related parties**

**Group**

As disclosed in the statements of financial position, the Group had outstanding balances with related parties at 31 December 2014, 31 December 2015 and 31 May 2016.

Amounts due from a related party

	As at 31 December		As at 31 May
	2014 RMB'000	2015 RMB'000	2016 RMB'000
Vixtel Science	330	–	–
Hainan Feisida*	482	1,344	–
	<u>812</u>	<u>1,344</u>	<u>–</u>

These balances are unsecured, interest-free and repayable on demand.

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**ACCOUNTANTS' REPORT**

Amounts due to related parties

	As at 31 December		As at 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Mr. Sie Tak Kwan	–	–	3,719
Mr. Sze Oi Kwan	3,000	–	–
Hainan Feisida*	212	212	–
Xincai	20	–	–
	<u>3,232</u>	<u>212</u>	<u>3,719</u>

The amounts due to related parties are unsecured, interest-free and repayable on demand.

\* The amounts due to/from Hainan Feisida have been transferred to trade receivables and trade payables on 13 April 2016 when Hainan Feisida was no longer a related party of the group.

**Company**

Amounts due to related parties

	As at 31 December		As at 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Vixel Technologies Limited	–	–	331
Mr. Sie Tak Kwan	–	–	3,719
	<u>–</u>	<u>–</u>	<u>3,719</u>

The amounts due to related parties are unsecured, interest-free and repayable on demand.

Amounts due from a shareholder

	As at 31 December		As at 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Sino Impact Company Holdings Limited	–	–	5,838

The balance represents the share subscription consideration payable by Sino Impact Company Holdings Limited to subscribe Vixel Technologies' shares pursuant to a Capital Increase and Enlargement Agreement dated December 18, 2015. The new business license was issued in March 2016 and Sino Impact Company Holdings Limited was obligated to pay the consideration since then. On 6 July 2016 Sino Impact Company Holdings Limited fully paid the amount.

**(d) Compensation of key management personnel of the Group:**

	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	1,681	1,948	671	883
Pension scheme contributions	58	65	20	20
	<u>1,739</u>	<u>2,013</u>	<u>691</u>	<u>903</u>

Further details of directors' and the chief executive's emoluments are included in note 8.



## APPENDIX I

## ACCOUNTANTS' REPORT

### (e) Other transactions

Certain bank loans were guaranteed by related parties as detailed in Note 20.

### 25. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each of the Track Record Periods are as follows:

Financial assets – loans and receivables	As at 31 December		As at 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Trade receivables	9,378	14,213	15,200
Amounts due from a related party	812	1,344	–
Amount due from shareholder	–	–	5,838
Financial assets included in prepayments, deposits and other receivables	826	1,248	1,760
Cash and cash equivalents	10,446	20,412	8,833
Financial assets included in other non-current assets	213	6	225
	<u>21,675</u>	<u>37,223</u>	<u>31,856</u>

Financial liabilities at amortised cost	As at 31 December		As at 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Trade payables	2,079	7,019	5,559
Amounts due to related parties	3,232	212	3,719
Financial liabilities included in other payables and accruals	155	370	1,036
Interest-bearing bank borrowings	3,991	–	–
	<u>9,457</u>	<u>7,601</u>	<u>10,314</u>

### 26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has determined that the carrying amounts of cash and cash equivalents, trade receivables, amounts due from a related party, financial assets included in prepayments, deposits and other receivables, trade payables, amounts due to related parties, financial liabilities included in other payables and accruals and interest-bearing bank borrowings reasonably approximate to their fair values because these financial instruments are mostly short term in nature.

### 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and cash and cash equivalents. The Group has various other financial assets and liabilities such as amounts due from a related party, trade receivables, other receivables, amounts due to related parties, trade payables and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

#### Credit risk

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, trade receivables, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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**ACCOUNTANTS' REPORT**

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by product type. As detailed in note 4 to the Financial Information, the Group trades with a state-owned telecommunication operator group. As the Group trades with each provincial subsidiary of the state-owned telecommunication operator and these trade receivables are settled independently, there are no significant concentrations of credit risk within the Group.

**Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of each of the Track Record Periods, based on the contractual undiscounted payments, was as follows:

	<b>As at 31 December 2014</b>			
	<b>On demand</b>	<b>Less than</b>	<b>3 to less than</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank borrowings	–	63	4,085	4,148
Amounts due to related parties	3,232	–	–	3,232
Trade payables	305	10	1,764	2,079
Financial instruments included in other payables and accruals	155	–	–	155
	<u>3,692</u>	<u>73</u>	<u>5,849</u>	<u>9,614</u>
	<u><u>3,692</u></u>	<u><u>73</u></u>	<u><u>5,849</u></u>	<u><u>9,614</u></u>
	<b>As at 31 December 2015</b>			
	<b>On demand</b>	<b>Less than</b>	<b>3 to less than</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	2,668	1,047	3,304	7,019
Financial instruments included in other payables and accruals	370	–	–	370
	<u>3,038</u>	<u>1,047</u>	<u>3,304</u>	<u>7,389</u>
	<u><u>3,038</u></u>	<u><u>1,047</u></u>	<u><u>3,304</u></u>	<u><u>7,389</u></u>
	<b>As at 31 May 2016</b>			
	<b>On demand</b>	<b>Less than</b>	<b>3 to less than</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due to related parties	–	–	4,347	4,347
Trade payables	337	149	5,073	5,559
Financial instruments included in other payables and accruals	1,036	–	–	1,036
	<u>1,373</u>	<u>149</u>	<u>9,420</u>	<u>10,942</u>
	<u><u>1,373</u></u>	<u><u>149</u></u>	<u><u>9,420</u></u>	<u><u>10,942</u></u>

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## ACCOUNTANTS' REPORT

### Capital management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of borrowings disclosed in note 21, and equity comprising capital, reserves and retained profits.

The directors of the Company review the current ratio, which is total current assets divided by total current liability, on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the raising of new debts and equity as well as the redemption of the existing debts, so as to manage the current ratios.

The current ratios as at the end of each of the Track Record Periods are as follows:

	As at 31 December		As at 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Total current assets	38,921	62,377	66,803
Total current liabilities	20,563	25,352	29,230
Current ratio	53%	41%	44%

### 28. EVENTS AFTER THE REPORTING PERIOD

- (i) On 8 July 2016 and as part of its [REDACTED], Great Belief agreed to subscribe for 482,970 new Shares, representing 5% of the share capital of our Company as enlarged by such subscription, in consideration of HK\$10 million. Such subscription was properly and legally completed and settled on July 8, 2016.
- (ii) On 6 April 2016, Vixtel Networks and Vixtel Science entered into an equity transfer agreement pursuant to which, Vixtel Networks acquired 85% equity interests held by Vixtel Science in Vixtel Technologies Limited (the "Acquisition") for a consideration of RMB30,912,700. Such acquisition was properly and legally completed on 17 May 2016. On 17 May 2016 Mr. Sie Tak Kwan, Mr. Yue Yong, Mr. Guan Haiqing and Mr. Liang Judong committed to make a contribution of RMB30,912,700 to the Group for the Acquisition. On 1 August 2016, RMB30,912,700 has been received from Mr. Sie Tak Kwan, Mr. Yue Yong, Mr. Guan Haiqing and Mr. Liang Judong and paid to Vixtel Science as settlement of the consideration for the Acquisition on the same day.
- (iii) On 18 December 2015 as a part of [REDACTED] from Sino Impact BVI, Sino Impact Company Holding Limited ("Sino Impact HK") agreed to subscribe for 15% of the entire registered capital of Vixtel Technologies Limited as enlarged by such subscription in consideration of RMB5,837,600. The consideration was fully paid by Sino Impact HK on 6 July 2016.

On 6 July 2016, as part of the Reorganisation, the Group acquired the 15% equity interest of Vixtel Technologies Limited from Sino Impact HK by issuance of the shares of the Company. Since then Vixtel Technologies became an indirect wholly-owned subsidiary of our Company.

**III. SUBSEQUENT FINANCIAL STATEMENT**

No audited financial statements have been prepared by the Group, the company or any of its subsidiaries in respect of any period subsequent to 31 May 2016.

Yours faithfully,  
**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

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## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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*The information set forth in this appendix does not form part of the Accountants' Report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this document, and is included herein for illustrative purposes only.*

*The unaudited pro forma financial information should be read in conjunction with "Financial information" of this document and the Accountants' Report set forth in Appendix I to this document.*

[REDACTED]

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**APPENDIX II    UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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**[REDACTED]**

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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### SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 10, 2015 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

#### 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

#### 2. ARTICLES OF ASSOCIATION

The Articles were adopted on November 21, 2016. A summary of certain provisions of the Articles is set out below.

##### (a) Shares

###### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

###### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

### *(iii) Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so canceled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

### *(iv) Transfer of shares*

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.



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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognize any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

***(v) Power of the Company to purchase its own shares***

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

***(vi) Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

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**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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*(vii) Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or installment of a call on the day appointed for payment, the Board may, for so long as any part of the call or installment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

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**(b) Directors**

*(i) Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

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The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

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The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

### *(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

### *(iv) Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

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(v) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

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*(vi) Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

*(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.



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A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the [REDACTED] or sub-[REDACTED] of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

***(ix) Proceedings of the Board***

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.



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**(c) Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

**(d) Meetings of member**

***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution," by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

***(ii) Voting rights and right to demand a poll***

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

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At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorized corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

### *(iii) Annual general meetings*

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorized by the Stock Exchange at such time and place as may be determined by the Board.

### *(iv) Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

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Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise

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the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorized officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

**(e) Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorized by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

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Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarized financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

**(f) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

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- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

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### (g) Inspection of corporate records

For so long as any part of the share capital of the Company is [REDACTED] on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

### (h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

### (i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.



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### **(j) Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

### **3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on November 10, 2015 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

#### **(a) Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

#### **(b) Share capital**

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;



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- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorize the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as canceled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either canceled or transferred pursuant to the Cayman Companies Law.

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## **APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

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A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

### **(e) Dividends and distributions**

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

### **(f) Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

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**(g) Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

**(h) Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has applied for an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (aa) on or in respect of the shares, debentures or other obligations of the Company;
  - or

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(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company will be for a period of 20 years.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

**(m) Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**(n) Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

**(o) Register of Directors and officers**

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

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**(p) Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

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**(q) Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, the Company's legal advisers on Cayman Islands law, has sent to the Company a letter of advice which summarizes certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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## **STATUTORY AND GENERAL INFORMATION**

### **A. FURTHER INFORMATION ABOUT OUR GROUP**

#### **1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on November 10, 2015.

We have established a principal place of business in Hong Kong at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong and were registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on August 9, 2016. Ms. Li Oi Lai of 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong has been appointed as our agent for the acceptance of service of process and notices in Hong Kong.

As we are incorporated in the Cayman Islands, our operation is subject to the Companies Law, the Memorandum of Association and the Articles of Association. A summary of certain parts of the Memorandum of Association and the Articles of Association and relevant aspects of the Companies Law is set forth in Appendix III to this document.

#### **2. Changes in share capital of our Company**

As at the date of incorporation, our Company had an authorized share capital of US\$50,000, divided into 50,000 shares of a par value of US\$1.00 each, of which one fully-paid share of US\$1.00 was issued and allotted to Offshore Incorporations (Cayman) Limited, the initial subscriber, on November 10, 2015 and was transferred to Cohort Investments on the same date. A further issuance and allotment of 3,165 fully-paid shares, 3,166 fully-paid shares, 2,218 fully-paid shares, 950 fully-paid shares and 500 fully-paid shares, all of US\$1.00 each was made on the same date to Cohort Investments, Worldgate Ventures, Copious Link, Hugemind Investments and Vigor Cypress respectively at par.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this document:

- (a) On March 18, 2016, the authorized share capital of our Company was increased to the aggregate of US\$50,000.00 and HK\$390,000.00 by the creation of an additional 39,000,000 Shares with a par value of HK\$0.01. On the same date, 2,599,740 Shares, 2,599,740 Shares, 1,820,520 Shares, and 780,000 Shares all with a par value of HK\$0.01 were issued and allotted to Cohort Investments, Worldgate Ventures, Copious Link and Hugemind Investments respectively;
- (b) On March 18, 2016, our Company repurchased 3,166 shares, 500 shares, 3,166 shares, 2,218 shares and 950 shares with a par value of US\$1.00 from Cohort Investments, Vigor Cypress, Worldgate Ventures, Copious Link and Hugemind Investments respectively. On the same date following such repurchase, any authorized but unissued shares with a par value of US\$1.00 was canceled and the amount of authorized share capital of our Company was diminished by the amount of the shares so canceled, and that the authorized share capital of our Company became HK\$390,000.00 divided into 39,000,000 Shares with a par value of HK\$0.01;
- (c) On July 6, 2016, 1,376,470 Shares with a par value of HK\$0.01 each were issued and allotted to Sino Impact BVI as fully paid Shares;



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- (d) On July 8, 2016, 482,970 Shares with a par value of HK\$0.01 each were issued and allotted to Great Belief as fully paid Shares;
- (e) On September 30, 2016, 32 new Shares, 32 new Shares, 22 new Shares and 9 new Shares credited as fully paid were issued and allotted to Cohort Investments (wholly-owned by Mr. Sie), Wolrdgate Ventures (wholly-owned by Mr. Yue), Copious Link (wholly-owned by Mr. Guan) and Hugemind Investments (wholly-owned by Mr. Liang), respectively, as a result of the [REDACTED] of the non-interest bearing loans of Hong Kong dollars equivalent to RMB 30,912,700 in aggregate granted by Mr. Sie, Mr. Yue, Mr. Guan and Mr. Liang to our Company; and
- (f) On September 30, 2016, 5 new Shares credited as fully paid were issued and allotted to Great Belief pursuant to the anti-dilution provision under the [REDACTED] Agreement dated July 8, 2016.

Immediately following the completion of the [REDACTED] and the [REDACTED] but without taking into account any Shares which may be issued upon the exercise of the [REDACTED] and options that may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$[REDACTED] divided into [REDACTED] Shares of HK\$0.01 each, all fully paid or credited as fully paid and [REDACTED] Shares of HK\$0.01 each will remain unissued.

Save as disclosed above and in this document, there has been no alteration in the share capital of our Company since its incorporation.

### 3. Written Resolutions of the Shareholders

Written resolutions were passed by the Shareholders on November 21, 2016 and November 24, 2016 pursuant to which, among other matters:

- (a) our Company approved and adopted the Memorandum of Association with immediate effect and the Articles of Association conditional upon and with effect from the [REDACTED];
- (b) conditional on (aa) the Stock Exchange granting [REDACTED] of, and permission to [REDACTED], the Shares in issue and to be issued as mentioned in this document (including any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or options granted or to be granted under the Share Option Scheme); (bb) the [REDACTED] having been determined; (cc) the execution and delivery of the [REDACTED] on or before the date as mentioned in this document; and (dd) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms of the [REDACTED] or otherwise, in each case on or before the date falling 30 days after the date of this document:
  - (i) the [REDACTED] and the granting of the [REDACTED] were approved and the Directors were authorized to allot and issue the Shares pursuant to the [REDACTED] and such number of Shares as may be required to be allotted and issued upon the exercise of the [REDACTED];



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- (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Other Information – 13. Share Option Scheme" in this section, were approved and adopted and the Directors were authorized to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at the Directors' absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;
- (iii) conditional on the share premium account of our Company being credited as a result of the [REDACTED], our Directors were authorized to capitalize HK\$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par [REDACTED] Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on November 21, 2016 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued Shares and our Directors were authorized to give effect to such [REDACTED] and distribution;
- (iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options granted or to be granted under the Share Option Scheme, or under the [REDACTED] or the [REDACTED] or upon the exercise of the [REDACTED], Shares with an aggregate nominal amount of not exceeding the sum of (aa) [REDACTED] of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED] but excluding any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or any option granted or to be granted under the Share Option Scheme, and (bb) the aggregate nominal amount of the share capital of the Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first;

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- (v) a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognized by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding [REDACTED]% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the [REDACTED] and the [REDACTED] but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first;
- (vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (iv) above to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above; and
- (vii) the form and substance of each of the service agreements made between our executive Directors and us, and the form and substance of each of the letter of appointment made between our non-executive Director and each of our independent non-executive Directors with us were approved.

### 4. Group Reorganization

The companies comprising our Group underwent the Reorganization to rationalize our Group's structure in preparation for the [REDACTED]. For more details regarding the Reorganization, see "History, Reorganization and Corporate Structure".

### 5. Changes in share capital of subsidiaries of our Group

The subsidiaries of our Company are listed in the Accountants' Report set out in Appendix I to this document.

Save as disclosed in "History, Reorganization and Corporate Structure" of this document, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document (or since the date of their incorporation for subsidiaries that were incorporated less than two years ago).

### 6. Securities repurchase mandate

This paragraph includes information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of its own securities.

#### *(a) Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders, either by way of general mandate or by specific approval of a particular transaction.

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Pursuant to the written resolutions of the Shareholders passed on November 21, 2016, the Repurchase Mandate was given to our Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of up to [REDACTED]% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED] but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] and the options which may be granted under the Share Option Scheme, such mandate shall expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association and applicable laws to be held, or the passing of an ordinary resolution of Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

### *(b) Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and the Articles of Association and the GEM Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Companies Law, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorized by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

### *(c) Reasons for repurchases*

Our Directors believe that it is in the best interest of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and the Shareholders.

### *(d) Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association and the Articles of Association, the applicable laws of the Cayman Islands and the GEM Listing Rules.

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On the basis of the current financial position of our Group as disclosed in this document and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchases Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared to the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately after the [REDACTED], would result in up to [REDACTED] Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

### *(e) General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or our subsidiaries if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Memorandum of Association and the Articles of Association, and the applicable laws of the Cayman Islands. Our Company shall procure the broker who effects the purchase to disclose to the Stock Exchange such information in relation to the purchase as the Stock Exchange may request.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

No core connected person (as defined in the GEM Listing Rules) of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

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**B. FURTHER INFORMATION ABOUT OUR BUSINESS**

**7. Summary of material contracts**

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

- (a) the Capital Increase and Enlargement Agreement;
- (b) the Equity Transfer Agreement dated April 6, 2016 entered into among Vixtel Networks, Vixtel Science and Sino Impact HK pursuant to which Vixtel Science transferred 85% equity interests in Vixtel Technologies to Vixtel Networks for a cash consideration of RMB30,912,700;
- (c) the Share Purchase Agreement;
- (d) the [REDACTED] Agreement;
- (e) a loan confirmatory deed dated August 11, 2016 entered into among Mr. Sie, Mr. Yue, Mr. Guan, Mr. Liang and our Company, acknowledging and confirming the grant of interest-free loans of Hong Kong dollars equivalent to RMB30,912,700 in aggregate by Mr. Sie, Mr. Yue, Mr. Guan and Mr. Liang to our Company pro rata to their beneficial shareholdings in our Company as at April 6, 2016 during the period from July 20, 2016 to August 1, 2016 and the requirements for [REDACTED] of such loans on the earlier of the [REDACTED] or December 31, 2016;
- (f) the Deed of Non-competition;
- (g) the Deed of Indemnity; and
- (h) the [REDACTED].






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8. Intellectual property rights of our Group

(a) Trademarks

As of the Latest Practicable Date, our Group has the following trademarks material to our business:

No.	Trademark	Place of Registration	Registered Owner	Class	Classification of Goods/Services	Registration Number	Duration of Validity
1.	NetVista	PRC	Vixtel Technologies	9	Quantity display equipment, surveying equipment	11291245	January 7, 2014 to January 6, 2024
2.	NetVista	PRC	Vixtel Technologies	42	Technical research, calibration (surveying), material testing, design (exterior design of industrial products), interior decoration design	10564462	June 28, 2013 to June 27, 2023
3.		PRC	Vixtel Technologies	9	Quantity display equipment	11291253	January 7, 2014 to January 6, 2024
4.		PRC	Vixtel Technologies	42	Technical research, calibration (surveying), material testing, design (exterior design of industrial products), interior decoration design, computer programming, computer software design, computer system design, conversion of data or documents into digital media, providing internet search engines	10805455	November 7, 2013 to November 6, 2023
5.	  	Hong Kong	Vixtel Systems	9	Digital display products and instruments; software capacity testing apparatus and instruments; surveying, weighing, measuring and checking apparatus and instruments	303660237	August 5, 2016 to January 14, 2026

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No.	Trademark	Place of Registration	Registered Owner	Class	Classification of Goods/Services	Registration Number	Duration of Validity
				42	Scientific and technological services and research and design relating thereto; surveying and testing services; material testing; industrial designs; interior designs; computer programming; design and development of computer system, hardware and software; data conversion of computer programs and data; providing search engines for the internet		
6.	NetVista	Hong Kong	Vixtel Systems	9	Digital display products and instruments; software capacity testing apparatus and instruments; surveying, weighing, measuring and checking apparatus and instruments	303660228	August 5, 2016 to January 14, 2026
				42	Scientific and technological services and research and design relating thereto; surveying and testing services; material testing; industrial designs; interior designs; computer programming; design and development of computer system, hardware and software; data conversion of computer programs and data; providing search engines for the internet		

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**(b) Software copyrights**

As of the Latest Practicable Date, our Group was the registered owner of the following software copyrights, which are material to our business. All of the following copyrights are owned by Vixtel Technologies:

No.	Software	Place of Registration	Certificate Number	Date of First Publication	Date of Registration Certificate
1.	Vixtel V1000 NetVista network performance analysis system V1.10	PRC	2007SR08213	April 15, 2007	June 1, 2007
2.	Vixtel V7000 transaction performance delay monitoring system V1.0	PRC	2010SR059724	Not yet published	November 9, 2010
3.	V8000 mobile network user experience optimization system V2.0	PRC	2011SR078602	September 1, 2011	October 31, 2011
4.	V1000 NetVista network performance monitoring system V2.0	PRC	2011SR078604	May 16, 2011	October 31, 2011
5.	V1030 mobile internet performance management system 1.0.0	PRC	2014SR132963	March 25, 2014	September 4, 2014
6.	V1040 cloud service quality support system V1.0	PRC	2014SR136473	April 30, 2014	September 11, 2014
7.	V2050 broadband data business performance monitoring system V2.0	PRC	2013SR067979	December 31, 2012	July 18, 2013



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No.	Software	Place of Registration	Certificate Number	Date of First Publication	Date of Registration Certificate
8.	V6050 smartphone performance gauging application software system V1.0	PRC	2012SR111342	March 5, 2012	November 20, 2012
9.	V8050 financial transaction system APM monitoring platform V1.0	PRC	2014SR133364	May 29, 2014	September 4, 2014
10.	V2010 internet resources big data analysis platform	PRC	2015SR261494	October 16, 2015	December 15, 2015
11.	V4010 mobile internet App performance analysis system	PRC	2015SR263703	November 12, 2015	December 16, 2015
12.	V2100 APM performance monitoring software	PRC	2016SR064191	January 19, 2015	March 29, 2016

**(c) Domain Names**

As of the Latest Practicable Date, our Group had registered the following domain names:

Domain Name	Registrant	Date of registration	Expiry date
vixtel.com	our Company	September 17, 2006	September 17, 2021
vixtel.com.cn	Vixtel Technologies	August 30, 2014	August 30, 2017
apmvista.com	Vixtel Technologies	March 10, 2016	March 10, 2019

*Note:* Information contained in the above websites does not form part of this document.

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*(d) Patents*

As of the Latest Practicable Date, our Group has applied for registration of the following material patents. All of the following patents are being applied by Vixtel Technologies:

No.	Patent	Place of registration	Type	Patent application number	Application Date
1.	Internet content resources probing method based on internet crawler technology	PRC	Invention patent	201510575443.8	September 11, 2015
2.	Mobile App focused performance analysis method based on cloud platform	PRC	Invention patent	201510575444.2	September 11, 2015
3.	Precision trading delay measuring method for financial trading systems	PRC	Invention patent	201510575445.7	September 11, 2015
4.	Home gateway equipment for realizing user behavior analysis	PRC	Utility model	201620699463.6	July 5, 2016
5.	Method to resolve data skew in the process of big data computing	PRC	Invention patent	201610638080.2	August 5, 2016
6.	Cache system service capability traversal testing system based on service quality	PRC	Utility model	201620877394.3	August 12, 2016

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No.	Patent	Place of registration	Type	Patent application number	Application Date
7.	Cache system service capability traversal testing system and methods based on service quality	PRC	Invention patent	201610664584.1	August 12, 2016
8.	IP information matching and extension method	PRC	Invention patent	201610756254.5	August 29, 2016

Save as disclosed herein, there are no other trade or service marks, patents, copyrights, other intellectual or industrial property rights which are or may be material to the business of our Group.

**9. Related party transactions**

Save as disclosed in Note 24 to Appendix I – “Accountants’ Report – Related Party Transactions” to this document, during the two years immediately preceding the date of this document, our Company has not engaged in any other related party transactions. As of the Latest Practicable Date, we did not have any related party transactions which will be continued or carried out by us after the [REDACTED] which will be subject to reporting, announcement and shareholders’ approvals requirements under the GEM Listing Rules.

**C. FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS**

**10. Directors**

*(a) Disclosure of interests of Directors*

Save as disclosed in “History, Reorganization and Corporate Structure” of this document and in the paragraph headed “C. Further Information about Directors and Shareholders” in this section, none of our Directors or any of their associates was engaged in any dealings with our Group during the Track Record Period.

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*(b) Particulars of Directors' service agreements*

*Executive Directors*

Each of the executive Directors has entered into a service agreement with our Company for a term of three years commencing from the [REDACTED] (subject to termination in certain circumstances as stipulated in the relevant service agreement). Each of the executive Directors is entitled to their respective basic salaries set out below.

The current basic annual salaries of the executive Directors to their respective executive and management roles in our Group are as follows:

<b>Name</b>	<b>Approximate annual salary RMB</b>
Mr. Yue	650,000
Mr. Sie	650,000
Mr. Guan	650,000

Each of our executive Directors may also receive a year-end bonus in respect of each complete financial year of our Company. The bonus shall be of such amount as the Board may determine in its absolute discretion, and will be paid in arrears after the audited accounts of our Group in respect of the relevant financial year have been published.

*Non-executive Director*

Mr. Liang, was appointed as a non-executive Director of our Company by a letter of appointment, pursuant to which he has agreed to act as our non-executive Director for a term of three years with effect from the [REDACTED] subject to certain termination provisions, including retirement by rotation as required by the Articles of Association and the GEM Listing Rules and termination by either party giving at least 3 months' written notice. Mr. Liang may also receive a year-end bonus in respect of each complete financial year of our Company. The bonus shall be of such amount as the Board may determine in its absolute discretion, and will be paid in arrears after the audited accounts of our Group in respect of the relevant financial year have been published.

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### *Independent non-executive Directors*

Each of our independent non-executive Directors has entered into a letter of appointment for a term of three years commencing from the [REDACTED] subject to certain termination provisions including retirement by rotation as required by the Articles of Association and the GEM Listing Rules and termination by not less than 3 months' notice in writing served by our independent non-executive Director or our Company.

Mr. Cheung Hon Fai, Mr. Lam Kin Man and Mr. Shen Qi, the independent non-executive Directors of our Company, are entitled to a director's fee of HK\$120,000 per annum. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed above, none of our Directors has or is proposed to have a service agreement with any member with our Company (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than statutory compensation).

### **(c) *Directors remuneration***

- (i) The aggregate emoluments paid (including salaries, contribution to pension schemes, allowance) and benefits in kind granted by our Group to the Directors in respect of the two financial years ended December 31, 2014 and 2015 were approximately RMB1,458,000 and RMB1,625,000 respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding performance bonuses and discretionary bonuses) payable by our Group to and benefits in kind receivable by the Directors (including the non-executive Director and the independent non-executive Directors in their respective capacity as Directors) for the year ending December 31, 2016 are expected to be approximately HK\$2,321,500.
- (iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for the two years ended December 31, 2014 and 2015 (i) as an inducement to join or upon joining the Group or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the two years ended December 31, 2014 and 2015.

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***(d) Interests and/or short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations***

Immediately following completion of the [REDACTED] and the [REDACTED] and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the options which may be granted under the Share Option Scheme, the interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, once the Shares are [REDACTED], will be as follows:

<b>Name of Director</b>	<b>Capacity/nature of interests</b>	<b>Number and class of securities (Note 1)</b>	<b>Approximate percentage of shareholding</b>
Sie Tak Kwan (Note 2)	Interest in a controlled corporation; interest held jointly with another person	[REDACTED]	[REDACTED]
Yue Yong (Note 2)	Interest in a controlled corporation; interest held jointly with another person	[REDACTED]	[REDACTED]
Guan Haiqing (Note 2)	Interest in a controlled corporation; interest held jointly with another person	[REDACTED]	[REDACTED]
Liang Judong (Note 2)	Interest in a controlled corporation; interest held jointly with another person	[REDACTED]	[REDACTED]

*Notes:*

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Pursuant to the Deed of Concert Parties, Mr. Sie, Mr. Yue, Mr. Guan and Mr. Liang confirm, agree and acknowledge, among other things, that they are parties acting in concert in respect of our Group since December 29, 2010 when the entire equity interests in Vixel Technologies were transferred to Vixel Science, details of which are set out in "History, Reorganization and Corporate Structure – Parties acting in concert" of this document. As such, pursuant to the Deed of Concert Parties, each of Mr. Sie, Mr. Yue, Mr. Guan and Mr. Liang is deemed to be interested in [REDACTED] of the issued share capital of our Company.

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Save as disclosed above, none of our Directors or the chief executive of our Company has any interest or short position in any of the Shares, underlying Shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to our Company and the Stock Exchange, in each case once the Shares are [REDACTED] on the GEM.

### 11. Interest and/or short positions of the Substantial Shareholders in the Shares and underlying Shares

Save as disclosed in "Substantial Shareholders" of this document, our Directors and chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has an interest or a short position in the Shares or the underlying Shares which, once our Shares are [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under Section 336 of the SFO, or who will be, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group.

### 12. Disclaimers

Save as disclosed in this document:

- (a) none of our Directors nor any of the parties listed in the paragraph "20. Qualifications of experts" in this section has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the [REDACTED] either in his own name or in the name of a nominee;
- (b) none of our Directors nor any of the parties listed in the paragraph "20. Qualifications of experts" in this section is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to business of our Group taken as a whole;

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- (c) save in connection with the [REDACTED], none of the parties listed in the paragraph "20. Qualifications of experts" in this section:
  - (i) is interested legally or beneficially in any securities of any member of our Group; or
  - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (d) none of our Directors, their respective close associates or Shareholders of our Company interested in more than 5% of the issued share capital of our Company has any interests in the five largest suppliers and/or customers; and
- (e) there are no existing or proposed service agreements (excluding agreements expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and our Company.

### D. OTHER INFORMATION

#### 13. Share Option Scheme

The principal terms of the Share Option Scheme conditionally adopted by our Company on November 21, 2016 are as follows:

*(a) Purpose*

The purpose of the Share Option Scheme is to enable the Company to grant Options to the Eligible Persons (defined below) as incentives or rewards for their contributions to the Group.

*(b) Who may join*

On and subject to the terms of the Share Option Scheme and the requirements of the GEM Listing Rules, our Board may offer to grant an Option to any Eligible Person (as defined below) as our Board may in its absolute discretion select. Capitalized terms in the paragraph headed "D. Other Information – 13. Share Option Scheme" are defined as follows:

“**Auditor(s)**” means the auditors for the time being of the Company;

“**Chief Executive**” has the meaning set out in Rule 1.01 of the GEM Listing Rules;

“**Core Connected Person**” has the meaning set out in Rule 1.01 of the GEM Listing Rules;

“**Eligible Persons(s)**” means any employee (whether full-time or part-time employee) of any members of our Group including any executive director, non-executive director and independent non-executive director, advisor and consultant of the Group;



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“**Further Grant**” has the meaning as set out in the paragraph headed “Other Information – 13. Share Option Scheme – sub-paragraph (q)(vi)”;

“**Offer Date**” means the date on which an Option is offered to an Eligible Person in accordance with the paragraph headed “Other Information – 13. Share Option Scheme – sub-paragraph (d)”;

“**Option**” means an option to subscribe for Shares granted pursuant to this Share Option Scheme;

“**Option Period**” means in respect of any particular Option, the period to be determined and notified by the Board to each Participant, which period may commence on a day on or after the date upon which the Option is accepted or deemed to be accepted in accordance with the paragraph (d) below, but shall end in any event not later than 10 years from the commencement of such date;

“**Participant**” means any Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant;

“**Scheme Mandate Limit**” has the meaning as set out under the paragraph (q)(i) below;

“**Subscription Price**” means the price per Share at which a Participant may subscribe for Shares on the exercise of an Option calculated in accordance with the paragraph (g) below; and

“**Trading Day**” means a day in which trading of Shares take place on the Stock Exchange.

### *(c) Administration*

The Share Option Scheme shall be subject to the administration of our Board whose decision as to all matters arising from or in relation to this Share Option Scheme or its interpretation or effect shall (save as otherwise provided in the Share Option Scheme) be final and binding on all parties to this Share Option Scheme.

### *(d) Grant of Options*

On and subject to the terms of the Share Option Scheme and the requirements of the GEM Listing Rules, the Board shall be entitled at any time within 10 years commencing on the date on which this Share Option Scheme was conditionally adopted and approved by written resolutions of the Shareholders to make an offer for the grant of an Option to any Eligible Person as our Board may in its absolute discretion select, specifying the

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number of Shares under the Option, the Subscription Price and the Option Period in respect of which an offer of the Option is made and requiring the Eligible Person to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme. An offer of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the Offer Date provided that no such offer shall be open for acceptance after the expiry of the effective period of this Share Option Scheme as set out under the paragraph (h) below or after this Share Option Scheme has been terminated in accordance with the provisions therein. An offer may not be accepted unless the Participant remains an Eligible Person on acceptance.

An Option shall be deemed to have been granted and accepted when the duplicate letter comprising acceptance of the Option duly signed by the Participant with the number of Shares in respect of which an offer of an Option is accepted clearly stated therein, together with a remittance in favor of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company within 28 days from the Offer Date. Such remittance shall in no circumstances be refundable.

Any offer of an Option may be accepted or deemed to have been accepted for a number of Shares less than those offered under the relevant Option. The number of Shares in respect of the Option accepted shall constitute a board lot or an integral multiple thereof for the purposes of trading on the Stock Exchange. If the offer of an Option is not accepted within 28 days in the manner indicated in the above paragraph, such offer shall lapse.

### *(e) Restriction on time of grant of Option*

An offer of the grant of an Option may not be made after inside information has come to the knowledge of our Company until the information has been announced in accordance with the GEM Listing Rules. In particular, but only insofar as and for so long as the GEM Listing Rules require, no offer of the Option may be made during the period commencing one month immediately preceding the earlier of:

- (i) the date of our Board meeting for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and
- (ii) the deadline for our Company to publish its results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement. The Board may not grant any Option to an Eligible Person who is a Director during the periods or times in which directors of listed issuer are prohibited from [REDACTED] Shares pursuant to Rules 5.48 to 5.67 prescribed by the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

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***(f) Acceptance and payment on acceptance of Option offer***

An offer of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the Offer Date provided that no such offer shall be open for acceptance after the expiry of the effective period of this Share Option Scheme stated in the paragraph (h) below or after this Share Option Scheme has been terminated in accordance with the provisions thereof. An offer may not be accepted unless the Participant remains an Eligible Person on acceptance.

A nominal consideration of HK\$1.00 is payable by the grantee to our Company on acceptance of the Option offer.

***(g) Subscription price***

The Subscription Price shall be determined by the Board and notified to each Participant and shall not be less than whichever is the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a Trading Day; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Trading Days immediately preceding the Offer Date; and (iii) the nominal value of a Share.

***(h) Option period***

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which this Share Option Scheme was conditionally adopted and approved by written resolutions of the Shareholders, after which period no further Options will be granted but the provisions of this Share Option Scheme shall remain in full force and effect in all other respects and Options which are granted during the life of this Share Option Scheme may continue to be exercisable in accordance with the terms of issue.

***(i) Exercise of Options and Rights are personal to grantee***

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favor of any third party over or in relation to any Option. Any breach of the foregoing by the Participant shall entitle the Company to cancel any Option or any part thereof granted to such Participant (to the extent not already exercised) without incurring any liability on the Company.

Subject to the paragraph (o) below and the restrictions which may be imposed by the Board, an Option may be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) at any time during the Option Period by the Participant (or in the case of his or her death, his or her legal personal representatives) giving notice in writing (in such form as the Board may from time to time specify) to the

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Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the Subscription Price for the Shares in respect of which the notice is given and delivery of the Option certificate (if any) for cancellation or amendment, as the case may be. The exercise of an Option may be subject to the achievement of performance target and/or any other conditions as determined by the Board in its absolute discretion and to be notified by the Board to each Participant.

Subject to the paragraph (s) below and any necessary consents and to an Option having been exercised in accordance with the provisions of the paragraph immediately above, the Company shall as soon as reasonably practicable and in any event not later than 30 days after the exercise of an Option or the receipt of the Auditors' certificate, allot and issue to the Participant (or his or her personal representative(s)) of the number of Shares credited as fully paid as specified in the notice exercising the Option and shall deliver to the Participant (or his or her personal representative(s)) a definitive share certificate in respect thereof.

When an Option is exercised only in part, the balance shall remain exercisable on the same terms as originally applied to the whole Option and a new Option certificate shall be issued accordingly by the Company as soon as reasonably practicable after such partial exercise.

The Company shall use all reasonable endeavors to procure that Shares to be issued upon exercise of an Option shall, upon the issue thereof (or as soon as practicable), become listed on those stock exchanges upon which Shares already in issue are listed.

Notwithstanding any contrary provisions herein contained, if at the time a Participant wishes to exercise an Option, the exercise of such Option or the consequence of such exercise is not permitted by applicable laws or the GEM Listing Rules, the Participant shall not be entitled to exercise his or her Option until such exercise becomes permissible by the applicable laws and the GEM Listing Rules.

### ***(j) Ranking of Shares***

The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the Memorandum and Articles for the time being in force and shall rank *pari passu* in all respects with the fully paid or credited as fully paid Shares in issue on the date of issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of issue.

### ***(k) Rights on death***

If a Participant dies before exercising the Options in full, his or her personal representative(s) may exercise the Options in full (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death, failing which such Options will lapse.

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***(l) Rights on takeover***

Subject to the paragraph (o) below, if a general offer (whether by way of takeover offer, repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the Shareholders (or all such holders other than the offeror and/or any person acting in concert with the offeror), to acquire all or part of the issued Shares and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participants shall be entitled to exercise his or her outstanding Option (to the extent not already exercised) at any time within 14 days after the date on which such offer becomes or is declared unconditional or the expiry of the term of such Option as set forth in the Option agreement, whichever is earlier. For the purposes of this Clause, "acting in concert" has the meaning ascribed to it under the Takeovers Code.

***(m) Rights on compromise or arrangement***

Subject to the paragraph (o) below, if an application is made to the court (otherwise than where the Company is being voluntarily wound up), pursuant to the Companies Law or the Companies Ordinance, in connection with a proposed compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its Shareholders (or any class of them), a Participant may by notice in writing to the Company, within the period of 21 days after the date of such application, exercise his or her outstanding Option to its full extent or to the extent specified in such notice. Upon the compromise or arrangement becoming effective, all Options shall lapse except insofar as exercised. Notice of the application referred to herein and the effect thereof shall be given by the Company to all Participants as soon as practicable.

***(n) Rights on voluntary winding-up of our Company***

In the event a notice is given by our Company to its Shareholders to convene a general meeting for the purposes of approving a resolution to voluntarily wind up our Company when the Company is solvent, our Company shall on the same date as or as soon as practicable, after it despatches such notice to each Shareholder give notice thereof to all Participants and thereupon, each Participant shall be entitled to exercise all or any of his outstanding Options (to the extent not already exercised) at any time not later than two (2) Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Participant credited as fully paid.

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*(o) Lapse of Option*

An Option shall lapse forthwith and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the Option as may be determined by the Board;
- (ii) subject to the paragraphs (h) and (u) below, the expiry of the Option Period;
- (iii) the first anniversary of the death of the Participant;
- (iv) the commencement of the winding up of our Company;
- (v) in the event that the Participant was an employee or director of any member of the Group at the relevant Offer Date, the date on which such member of the Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offense involving his or her integrity or honesty. A resolution of the Board or the board of directors of the relevant member of the Group to the effect that such employment or office has or has not been terminated or removed on one or more of the grounds specified in this paragraph shall be conclusive;
- (vi) in the event that the Participant was an employee or director of any member of the Group at the relevant Offer Date, the expiry of a period of three months from the date of the Participant ceasing to be an employee or director of such member of the Group by reason of:
  - (a) his or her retirement on or after attaining normal retirement age or, with the express consent of the Board in writing for the purpose of this paragraph at a younger age;
  - (b) ill health or disability recognized as such expressed by the Board in writing for the purpose of this paragraph;
  - (c) the company by which he or she is employed and/or of which he or she is a director (if not the Company) ceasing to be a subsidiary of the Company;
  - (d) expiry of his or her employment contract or the vacation of his or her office with such member of the Group and such contract or office is not immediately extended or renewed; or
  - (e) at the discretion of the Board, any reason other than death or the reasons described in the paragraphs (o)(v) or (o)(vi)(a) to (d) above.

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- (vii) the expiry of any period referred to in the paragraphs headed "Other Information – 13. Share Option Scheme – sub-paragraph (k), (l), (m) and (n)" provided that in the case of sub-paragraph (m), all Options granted shall lapse upon the proposed compromise or arrangement becoming effective; and
- (viii) the date the Participant commits any breach of the provisions of the paragraph (i) above.

If an Option lapses, the Board shall notify the Participant in writing of such lapse and forthwith upon such notification, the Participant shall be bound to surrender to the Company the certificate evidencing such Option.

### *(p) Cancellation of Options*

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be approved by the grantee concerned in writing. In the event that the Board elects to cancel any Options and issue new ones to the same grantee, the issue of such new Options may only be made with the available unissued Options (excluding the canceled Options) within the Scheme Mandate Limit.

### *(q) Maximum number of Shares available under the Share Option Scheme*

#### *(i) Mandate Limit*

The total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other schemes of our Company must not in aggregate exceed 10% of the Shares in issue as at the [REDACTED] (the "Scheme Mandate Limit"), being [REDACTED] Shares (or such other nominal amount as shall result from a sub-division, consolidation, re-classification or reconstruction of such shares from time to time). Options lapsed in accordance with the terms of the Share Option Scheme or any other schemes will not be counted for the purpose of calculating the Scheme Mandate Limit.

#### *(ii) Refreshing of Mandate Limit*

Our Company may by approval of the Shareholders in general meeting refresh the mandate limit provided our Company shall issue a circular containing such information as required by the GEM Listing Rules to Shareholders before such approval is sought. However, the total number of Shares which may be issued upon exercise of all options to be granted under all of the schemes of our Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval. Options previously granted under the schemes (including those outstanding, canceled, exercised or lapsed in accordance with any of the schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed. Approval for [REDACTED] of and permission to



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[REDACTED] any Shares to be issued upon the exercise of the Options granted under the refreshed 10% limit of the Share Option Scheme is required to be obtained from the Stock Exchange. In relation to the Shareholders' approval referred to in this paragraph, the Company shall send a circular to the Shareholders containing the information required by the GEM Listing Rules.

*(iii) Grant to specifically identified Eligible Persons*

Specifically identified Eligible Persons may be granted Options beyond the Scheme Mandate Limit. Our Company may in addition seek separate approval by its Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit provided the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specifically identified by our Company before such Shareholders' approval is sought and a circular containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such information as required by the GEM Listing Rules is issued to Shareholders before such approval is sought.

*(iv)* Notwithstanding the foregoing, the Company may not grant any Option if the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other schemes exceeds 30% of the Shares in issue from time to time.

*(v)* The Scheme Mandate Limit shall be adjusted, in such manner as the Auditors or the approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with the paragraph (s) above whether by way of capitalization of profits or reserves, rights issue, consolidation subdivision or reduction of the share capital of the Company but in any event shall not exceed the limit prescribed in the paragraph (q)(iv) above.

*(vi) Limit for each Participant*

The total number of Shares issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to a Participant under this Share Option Scheme and other schemes must not exceed 1% of the Shares in issue from time to time. Where any further grant (the "**Further Grant**") of Options to a Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, canceled and outstanding options) in the 12-month period up to and including the date of such Further Grant representing in aggregate over 1% of the Shares in issue from time to time, such Further Grant shall be subject to separate approval by the Shareholders in general meeting with the relevant Participant and his or her associates abstaining from voting. Prior to seeking such approval, our Company shall issue a circular containing such information as required by the GEM Listing Rules to the Shareholders.



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In relation to the Further Grant, the Company must send a circular to the Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and options previously granted to such Participant under this Share Option Scheme and other schemes) and the information required under the GEM Listing Rules.

### *(r) Grant of Option to Core Connected Persons*

Where any offer of an Option is proposed to be made to a Director, Chief Executive or Substantial Shareholder or any of their respective associates, such offer must first be approved by all the independent non-executive Directors (excluding any independent non-executive Director who is or whose associate is the grantee of the Options). No Option may be granted to any Substantial Shareholder or an independent non-executive Director of our Company, or any of their respective associates, which would result in the Shares issued and to be issued upon exercise of all options already granted or to be granted (including Options exercised, canceled and outstanding options) to such person under the Share Option Scheme and any other scheme(s) of our Company in the 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the share capital of our Company in issue from time to time; and (ii) having an aggregate value, based on the closing price of the Shares at the Offer Date, in excess of HK\$5 million, unless such further grant is approved by the Shareholders in general meeting. Prior to seeking such approval, our Company shall issue a circular containing such information as required by Rule 23.04(3) the GEM Listing Rules to the Shareholders. At such general meeting, the grant of Options to the Substantial Shareholder or independent non-executive Director of our Company, or any of their respective associates shall, for so long and insofar as the GEM Listing Rules so required, be approved by the Shareholders by way of poll with the grantee, his or her associates and all Core Connected Persons of our Company abstaining from voting, except that any such person may vote against such resolution provided that he or she has informed our Company of his or her intention to do so and such intention has been stated in the relevant circular to the Shareholders.

Shareholders' approval will also be required for any change in the terms of the Options granted to an Eligible Person who is a Substantial Shareholder, an independent non-executive Director or any of their respective associates.

The circular must contain the following:

- (i) details of the number and terms (including Subscription Price) of the Options to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the Offer Date for the purpose of calculating the Subscription Price;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the Option in question) to the independent Shareholders as to voting; and

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(iii) all other information as required by the GEM Listing Rules.

For the avoidance of doubt, the requirements for the granting of Options to a Director or Chief Executive set out in this section do not apply where the Eligible Person is only a proposed Director or proposed Chief Executive.

*(s) Effects of reorganization of capital structure*

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, consolidation, subdivision, reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), or otherwise howsoever in accordance with the legal requirements and requirements of the Stock Exchange, such corresponding alterations (if any) shall be made to: (a) the number of Shares (without fractional entitlements) subject to the Option(s) so far as unexercised; and/or (b) the Subscription Price; Except alterations made on a [REDACTED], an alteration to the number of Shares which is the subject of the Option and the Subscription Price shall be conditional on the Auditors or an independent financial adviser appointed by the Company confirming in writing to the Board that the alteration is made on the basis that (i) the proportion of the issued share capital of the Company to which a Participant is entitled after such alteration shall remain the same as that to which he or she was entitled before such alteration; (ii) No such alteration shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value or which would result in the aggregate amount payable on the exercise of any Option in full being increased. The capacity of the Auditors or an independent financial adviser appointed by the Company in this paragraph(s) is that of experts and not of arbitrators and their certification shall be final and binding on the Company and the Participants in the absence of manifest error. The costs of the Auditors or an independent financial adviser appointed by the Company in so certifying shall be borne by the Company.

The exercise of any Option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorized share capital of the Company. Subject thereto the Board shall make available sufficient authorized but unissued share capital of the Company to meet subsisting requirements on the exercise of Options.

*(t) Alteration to the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that (a) any alteration to the advantage of the Participants or the Eligible Persons (as the case may be) relating to matters contained in Chapter 23 of the GEM Listing Rules; and (b) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of Options granted, except where the alterations take effect automatically under the existing terms of the Share Option Scheme, shall first be approved by the Shareholders in general meeting (with the Eligible Persons, the

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Participants and their associates abstaining from voting) in accordance with the Memorandum and Articles provided that if the proposed alteration shall adversely affect any Options granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the consent or sanction of the Participants in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall comply with the relevant requirements of the GEM Listing Rules. Any change to the authority of the Directors in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting. Notwithstanding the foregoing, no modification of or amendment to the Share Option Scheme made by the Board shall be effective prior to approval by the Shareholders to the extent Shareholders' approval is otherwise required by applicable legal requirements.

### *(u) Termination of Share Option Scheme*

Our Company by an ordinary resolution in general meeting may at any time terminate the operation of the Share Option Scheme before the end of its life and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant.

### *(v) Conditions of Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the obtaining of our Company of the approval for [REDACTED] on the Stock Exchange of Shares which may be issued pursuant to the exercise of the Options;
- (ii) the commencement of [REDACTED] on the Stock Exchange; and
- (iii) the passing of written resolutions to adopt the Share Option Scheme by the Shareholders of the Company.

As at the date of this document, no Option has been granted under the Share Option Scheme. Application has been made to the [REDACTED] Committee for the [REDACTED] of, and permission to [REDACTED], the Shares which may fall to be issued following the exercise of the Options granted under the Share Option Scheme, of which the maximum will not exceed [REDACTED] Shares. Our Directors confirm that the Share Option Scheme is in full compliance with Chapter 23 of the GEM Listing Rules.

Unless our Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

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*(w) Disputes*

Any dispute arising in connection with the Share Option Scheme (whether as to the number of Shares which is the subject of an Option, the amount of the Subscription Price or otherwise) shall be referred to the decision of the Auditors or the independent financial adviser of the Company who shall act as experts and not as arbitrators and whose decision shall be final and binding.

*(x) General*

The Company shall bear the costs of establishing and administering the Share Option Scheme.

The Company shall provide a copy of the Share Option Scheme to all Participants on joining the Share Option Scheme. The Company shall also provide to all Participants all details relating to changes of the terms of the Share Option Scheme during the life of the Share Option Scheme upon such changes taking place.

The Share Option Scheme shall not form part of any contract of employment between any member of the Group and any Participant, and the rights and obligations of any Participant under the terms of his or her office or employment shall not be affected by his or her participation in the Share Option Scheme or any right which he or she may have to participate in it. The Share Option Scheme shall afford such a Participant no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.

Nothing contained in the Share Option Scheme or in any related agreement, and no action of the Company or any member of the Group or the Board with respect thereto, shall confer or be construed to confer on any Participant any right to continue in the employment with any member of the Group or interfere in any way with the right of any member of the Group to terminate the employment of the Participant at any time, with or without cause.

No right or benefit under the Share Option Scheme shall be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, exchange, transfer, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same shall be void. No right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities or torts of the person entitled to such benefits.

A Participant shall be entitled to receive copies of all notices and other documents sent by the Company to the Shareholders.

Save as otherwise provided herein, a Participant who is a Director may, subject to and in accordance with the Memorandum and Articles, notwithstanding his or her interest, vote on any Board resolution concerning the Share Option Scheme (other than in respect of his or her own participation therein) and may retain any benefits under the Share Option Scheme.

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Any notice or other communication between the Company and an Eligible Person or Participant shall be in writing and may be given by sending the same by prepaid post or by personal delivery to, in the case of the Company, its principal place of business in Hong Kong, which is at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong or such other address as may be notified to the Eligible Person and Participant from time to time and, in the case of the Eligible Person or Participant, his or her address as notified to the Company from time to time.

Any notice or other communication served by post:

- (i) by the Company shall be deemed to have been served 48 hours after it was placed in the post where the recipient's address is in Hong Kong and seven days where the address is elsewhere (in proving the service of any notice or other communication by post, it will be sufficient to prove that the notice or other communication was properly stamped, addressed and placed in the post); and
- (ii) by the Eligible Person or Participant shall not be deemed to have been served until the same shall have been received by the Company.

An Eligible Person or Participant, as the case may be, shall be responsible at his or her sole costs and expenses for obtaining any government or other official consent that may be required by any country or jurisdiction in order to permit the grant or exercise of an Option, as the case may be. The Company shall not be responsible for any failure by such person to obtain any such consent or for any tax or other liability to which that person may become subject as a result of his or her participation in the Share Option Scheme.

The Share Option Scheme and all Options granted hereunder shall in all respects be governed by and construed in accordance with the laws of Hong Kong.

*(y) Present status of the Share Option Scheme*

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the [REDACTED] of the Stock Exchange for the [REDACTED] of and permission to [REDACTED] the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme.

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**14. Tax and other indemnity**

Our Controlling Shareholders (the “**Indemnifiers**”) have entered into the Deed of Indemnity with and in favor of our Company to provide indemnities, on a joint and several basis, in respect of, among other matters:

- (a) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the [REDACTED], whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation;
- (b) any expenses, payments, sums, outgoing, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties and tax in connection with any failure, delay or defects of corporate or regulatory compliance or errors, discrepancies or missing documents in the statutory records of any member of our Group under, or any breach of any provision of, the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, their respective subsidiary legislation or PRC laws and regulations on or before the [REDACTED].

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that full provision or reserve has been made for such taxation in the audited combined accounts of our Group or the audited accounts of any member of our Group for any accounting period up to May 31, 2016;
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after June 1, 2016 and ending on the [REDACTED], where such taxation or liability would not have arisen but for any act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:
  - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the [REDACTED]; or
  - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the [REDACTED] or pursuant to any statement of intention made in the document; or

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- (c) to the extent that such taxation claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department, or any other relevant authority (whether in Hong Kong or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the Deed of Indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited combined account of the Group or the audited accounts of any member of our Group for any accounting period accrued on or before May 31, 2016 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

We have been advised that no material liability for estate duty is likely to fall on us and that the Cayman Islands currently have no estate duty, inheritance tax or gift tax.

### 15. Litigation

As of the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Company.

### 16. Preliminary expenses

The preliminary expenses incurred by our Company relating to its incorporation are approximately HK\$34,400 which have been settled.

### 17. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

### 18. Registration Procedure

The principal register of members of our Company in the Cayman Islands will be maintained by [REDACTED] and a branch register of members of our Company will be maintained by [REDACTED], our [REDACTED].

All necessary arrangements have been made to enable the securities to be admitted into CCASS for clearing and settlement.



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### 19. Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the [REDACTED] of and permission to [REDACTED], the Shares in issue and to be issued as mentioned in this document, including, inter alia, the [REDACTED] and any Shares which may fall to be allotted and issued pursuant to (a) the [REDACTED]; (b) the exercise of options which may be granted under Share Option Scheme, representing 10% of the Shares in issue on the [REDACTED]; and (c) the exercise of the [REDACTED]. The Sole Sponsor's fees are HK\$3,500,000 and are payable by the Company. The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

### 20. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this document are as follows:

<b>Name</b>	<b>Qualification</b>
KGI Capital Asia Limited	A corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants
Jingtian & Gongcheng	Legal advisers to our Company as to PRC laws
Appleby	Legal advisers to our Company as to Cayman Islands law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

### 21. Consents of experts

Each of KGI Capital Asia Limited, Ernst & Young, Jingtian & Gongcheng, Appleby and Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. has given and has not withdrawn its written consent to the issue of this document with copies of its reports, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

As of the Latest Practicable Date and save as disclosed in this document, none of the experts named above has any shareholding interests in our Company or any of its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe in our Company or any of its subsidiaries.



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## **STATUTORY AND GENERAL INFORMATION**

### **22. Binding effect**

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

### **23. Miscellaneous**

- (a) Save as disclosed in this document, within two years immediately preceding the date of this document:
  - (i) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) no founders or management or deferred Shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
  - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
  - (v) no commission has been paid or is payable (except for commission to the [REDACTED]) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in our Company or any of our subsidiaries.
- (b) Save as disclosed in this document, our Group has no outstanding convertible debt securities or debentures.
- (c) Our Directors confirm that:
  - (i) save as disclosed in this document, there has been no material adverse change in the financial or trading position or prospects of our Group since May 31, 2016 (being the date to which the latest audited combined financial statements of our Group were made up);
  - (ii) there is no arrangement under which future dividends are waived or agreed to be waived; and
  - (iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 24 months preceding the date of this document.





**APPENDIX V**

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION**

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- (j) the written consents referred to in Appendix IV – “Statutory and General Information – D. Other Information – 21. Consents of experts” to this document;
- (k) the service agreements and the letters of appointment referred to in Appendix IV – “Statutory and General Information – C. Further Information about Directors and Shareholders – 10. Directors – (b) Particulars of Directors’ service agreements” to this document; and
- (l) the F&S Report.