



EDENSOFT HOLDINGS LIMITED 伊登軟件控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1147

Share Offer

Sole Sponsor



Joint Bookrunners and Joint Lead Managers



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



EDENSOFT HOLDINGS LIMITED

伊登軟件控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Total number of Offer Shares	:	500,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Public Offering Shares	:	50,000,000 Shares (subject to reallocation)
Number of International Placing Shares	:	450,000,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	:	HK\$0.25 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)
Nominal value	:	HK\$0.01 per Share
Stock code	:	1147

Sole Sponsor



Joint Bookrunners and Joint Lead Managers



Co-Lead Managers



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

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection – Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is currently fixed at HK\$0.25 per Offer Share, unless otherwise announced.

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. Pursuant to the Hong Kong Public Offering Underwriting Agreement, the Joint Bookrunners have the right in certain circumstances to terminate the obligations of the Hong Kong Public Offering Underwriters at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of such circumstances are set out in the paragraph headed "Underwriting – Underwriting Arrangements and Expenses – Grounds for Termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement to be published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.edensoft.com.cn.

Latest time to complete **electronic applications** under

HK eIPO White Form service through one of the below ways ^{(2), (3)}:

(1) the designated website at www.hkeipo.hk

(2) the IPO App, which can be downloaded by searching “IPO App” in App Store or Google Play or downloaded

at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp 11:30 a.m. on Wednesday, 29 April 2020

Application lists of the Hong Kong Public Offering open⁽³⁾ 11:45 a.m. on Wednesday, 29 April 2020

Latest time to lodge **WHITE** and **YELLOW** Application Forms⁽³⁾ 12:00 noon on Wednesday, 29 April 2020

Latest time to give **electronic application instructions** to HKSCC^{(3),(4)} 12:00 noon on Wednesday, 29 April 2020

Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)^{(2),(3)} 12:00 noon on Wednesday, 29 April 2020

Application lists of the Hong Kong Public Offering close⁽³⁾ 12:00 noon on Wednesday, 29 April 2020

Announcement of the final Offer Price, the level of indications of interest in the International Placing, the level of applications in respect of the Hong Kong Public Offering and the results and basis of allotment under the Hong Kong Public Offering to be published on the websites of Stock Exchange at www.hkexnews.hk and our Company at www.edensoft.com.cn on or before^{(6),(7)} Tuesday, 12 May 2020

Announcement of the results of allocations in the Hong Kong Public Offering (with successful applicants’ identification document numbers, where applicable) to be available through a variety of channels including the websites of the Stock Exchange at www.hkexnews.hk and our Company’s website at www.edensoft.com.cn (see the section headed “How to Apply for Hong Kong Public Offering Shares – 11. Publication of results”) from^{(6),(7)} Tuesday, 12 May 2020

Results of allocations in the Hong Kong Public Offering (with successful applicants’ identification document numbers where appropriate) will be available at www.tricor.com.hk/ipo/result and www.hkeipo.hk/IPOResult or the “Allotment Result” in the IPO App with a “search by ID” function from Tuesday, 12 May 2020

EXPECTED TIMETABLE⁽¹⁾

Despatch/Collection of Share certificates or deposit of
Share certificates into CCASS in respect of wholly or
partially successful applications pursuant
to the Hong Kong Public Offering on or before^{(8),(10)} Tuesday, 12 May 2020

Despatch/Collection of **HK eIPO White Form** e-Auto Refund
payment instructions/refund cheques on or before^{(9), (10), (11)} Tuesday, 12 May 2020

Dealings in Shares on the Stock Exchange expected to
commence at 9:00 a.m. on Wednesday, 13 May 2020

The application for the Offer Shares will commence on Thursday, 23 April 2020 through Wednesday, 29 April 2020. Such time period is longer than the normal market practice of three and a half days. The application monies (including brokerage fees, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Tuesday, 12 May 2020. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Wednesday, 13 May 2020.

Notes:

- (1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.hkeipo.hk or the IPO App after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website or the IPO App prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 29 April 2020, the application lists will not open on that day. Please see the paragraph headed “How to Apply for Hong Kong Public Offering Shares – 10. Effect of Bad Weather on the Opening of the Application Lists”.
- (4) Applicants who apply for Hong Kong Public Offering Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “How to Apply for Hong Kong Public Offering Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS”.
- (5) The announcement will be available for viewing on the Stock Exchange’s website at www.hkexnews.hk.
- (6) None of the website or any of the information contained on the website forms part of this prospectus.
- (7) **Share certificates are expected to be issued on Tuesday, 12 May 2020, but will only become valid provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates and before they become valid do so entirely at their own risk.**
- (8) **e-Auto Refund payment instructions/refund cheques will be made/issued in respect of wholly or partially unsuccessful applications or successful applications if the Offer Price as finally determined is less than the initial Offer Price payable on application.**
- (9) Applicants who apply on **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 Shares or more under the Hong Kong Public Offering and have provided all information required by the Application Forms may collect any refund cheques (where applicable) and/or Share certificates in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 May 2020. Identification and (where applicable) authorization documents acceptable to the Hong Kong Branch Share Registrar must be produced at the time of collection.

EXPECTED TIMETABLE⁽¹⁾

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Hong Kong Public Offering and have provided all information required by the Application Forms may collect their refund cheques (if any) in person from the Hong Kong Branch Share Registrar but may not elect to collect their Share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Shares is the same as that for applicants who apply on **WHITE** Application Forms.

- (10) Applicants who apply for the Hong Kong Public Offering Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for Hong Kong Public Offering Shares" in this prospectus for details.

If an applicant has applied for less than 1,000,000 Hong Kong Public Offering Shares, the Share certificate (if applicable) and/or refund cheque will be despatched by ordinary post (at the applicant's own risk) to the address specified on the Application Form.

Uncollected Share certificates and refund cheques will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the paragraph headed "How to Apply for Hong Kong Public Offering Shares – 13. Refund of Application Monies" in this prospectus.

- (11) Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank account may have refund monies (if any) despatched to their application payment bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

You should read carefully the sections headed "Underwriting", "Structure and Conditions of the Share Offer" and "How to Apply for Hong Kong Public Offering Shares" in this prospectus for details relating to the structure of the Share Offer, procedures on the applications for Hong Kong Public Offering Shares and the expected timetable, including conditions, effect of bad weather and the despatch of refund cheques and share certificates.

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You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, partners, agents or representatives, or any other party involved in the Share Offer.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial information appearing elsewhere in this prospectus. As this is a summary, it does not contain all the information that may be important to you and we urge you to read the entire prospectus carefully before making your investment decision. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Established in 2002, we are an integrated IT solution and cloud services provider in the PRC. Our business portfolio includes provision of IT infrastructure services, IT implementation and supporting services and cloud services, with over 16 years of experience in the IT services industry in the PRC. According to the Industry Report, the IT services industry is highly fragmented with a large number of market participants, of which our Group was ranked top 60 with market share of 0.1% in terms of revenue in Shenzhen in 2018. Our principal business segments include:

- (i). **IT infrastructure services:** We assess our customers’ needs and their existing IT environment and provide our IT infrastructure services by advising them on the suitable hardware and/or software products that their IT environment would require and procuring the relevant hardware and/or software products, including but not limited to servers and routers, security software, office-related software and computers from the IT products vendors and installing these IT products in our customers’ IT environment.
- (ii). **IT implementation and supporting services:** Our IT implementation and supporting services generally refer to (i) design of IT solutions; (ii) development and/or implementation of plan involving hardware and/or solution based software products; and (iii) provision of technical and maintenance supporting services. We generally provide tailor-made IT implementation and supporting services to cater for our customers’ requirements and our services usually entail IT system analysis and design, solution based software development involving coding and data conversion, technology consultancy and system integration. Our contracts for provision of IT implementation and supporting services are generally obtained on a project basis.
- (iii). **Cloud services:** Our cloud services are provided in the modes of PaaS and SaaS, among which PaaS generally includes offering design, management and technical support for using cloud platforms which include our self-developed cloud platform, namely Eden Cloud, and other third party cloud platforms. Currently, our cloud platforms provide different types of cloud services to our customers, including but not limited to (i) cloud services management platform; (ii) documents sharing; (iii) cloud storage; and (iv) data migration. On the other hand, in the provision of SaaS, we provide a wide range of third party software as well as our self-developed software in our cloud platforms, through which our customers can generally use these software on a monthly/annual subscription basis.

SUMMARY

A breakdown of our Group's revenue, gross profit and gross profit margin by business segments is set out below:

	For the year ended 31 December															
	2016				2017				2018				2019			
			Gross				Gross				Gross				Gross	
	Revenue		profit	margin	Revenue		profit	margin	Revenue		profit	margin	Revenue		profit	margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
IT infrastructure services	198,854	60.8	17,127	8.6	250,998	53.6	24,682	9.8	276,251	45.1	22,755	8.2	401,775	50.7	31,111	7.8
IT implementation and supporting services	79,856	24.4	10,183	12.8	80,396	17.1	11,260	14.0	145,826	23.9	18,878	12.9	141,563	17.9	12,057	8.5
Cloud services	48,583	14.8	10,546	21.7	137,045	29.3	22,517	16.4	190,015	31.0	34,911	18.4	248,550	31.4	40,034	16.1
Total	327,293	100.0	37,856	11.6	468,439	100.0	58,459	12.5	612,092	100.0	76,544	12.5	791,888	100.0	83,202	10.5

BUSINESS MODEL

During the Track Record Period, we generally identify business opportunities and potential customers through marketing events organised by our Group, our online sales platform, industry exhibitions and invitations for tender submission or fee quotation by the potential customers. The following table sets forth the breakdown of our revenue by tendering and direct engagement.

Approach	For the year ended 31 December							
	2016		2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Direct engagement	303,972	92.9	431,065	92.0	580,247	94.8	791,888	100.0
Tendering	23,321	7.1	37,374	8.0	31,845	5.2	–	0.0
Total	327,293	100	468,439	100	612,092	100	791,888	100.0

When a potential opportunity is identified, we will discuss with the customers to assess their existing IT systems and environment, gather the information of the intended use and technical requirements from the customers and advise them on the required IT services accordingly.

For our IT infrastructure services, we generally receive our service fee after delivery of our IT infrastructure services to our customers. Regarding our IT implementation and supporting services, we generally provide our IT implementation and supporting services for a fixed service fee, taking into account the complexity and the scale of the project and manpower required. Our service fee is usually paid by instalments with reference to the payment schedule as set out in the services contracts. Our service is deemed to be completed once the customer has accepted the result of the user acceptance test. We may subcontract certain parts of our IT implementation and supporting services to other IT consultancy and services firms during the Track Record Period. Our customers may also engage us to provide certain types of our IT implementation and supporting services as a separate service engagement.

During the Track Record Period, we provided both private and public cloud services to our customers.

SUMMARY

Our private cloud services are generally provided based on the IT infrastructure owned by our customers and are customised to meet their specific requirements and needs. Under the private cloud services, our customers would apply and integrate our cloud services with their own cloud storage hardware and IT operational system (i.e servers and computers), resulting in more secured use of the cloud data and software for their internal IT environment, with restricted access to the internet.

We provide public cloud services through our cloud platforms, which include our self-developed cloud platform, namely Eden Cloud and other third party cloud platforms. Under the public cloud services, our customers can select different types of cloud services, including but not limited to (i) cloud services management platform; (ii) documents sharing; (iii) cloud storage; and (iv) data migration, through our cloud platforms.

For our cloud services, we generally charge our customers for using our cloud services over an agreed service period for a fixed service fee, which is determined taking into account our scope of work, required service level, complexity of the services required and the costs of procuring the required hardware and/or software and the use of our cloud platform resources.

It is our Group's strategy to engage third party service providers for certain types of the cloud services in order to increase the cost efficiency, taking into account the (i) complexity and types of the services required; (ii) investment costs for acquiring the required hardware and software; and (iii) operational and maintenance costs for delivering these services with our Group's internal resources. During the Track Record Period, for the purpose of cost efficiency, we did not have or use our own hardware to provide cloud storage services to our customers. Our cloud storage services are generally supported by the cloud platforms and hardware owned by the third party services providers who can benefit from economy of scales so as to lower their costs for providing the cloud storage services, which in turn enables us to enjoy greater flexibility based on the needs and requirements from our customers and avoid the costs of purchasing and maintaining the hardware to support the cloud storage with our own resources and thereby increase our profit margin when rendering cloud services to our customers.

In terms of the cloud storage arrangement with our customers, we normally provide cloud storage services in collaboration with other third party cloud platform service providers whereas our customers can subscribe to the cloud storage services on a monthly/annual subscription basis depending on their needs and requirements from third party cloud platform service providers directly. Depending on the specifications and needs of the customers, in some circumstances, we also provide our own cloud storage software, such as Eden icloud software V1.0* (伊登Eden icloud 軟件V1.0), Eden cloud extra assistance software V1.0* (伊登雲郵大附件助手軟件V1.0), Eden office sharing management system* (伊登文檔共用管理系統V1.0) and Cross platform mail large attachment assistant software V1.0* (跨平台郵件大附件助手軟件V1.0) to our customers.

During the Track Record Period, in terms of our arrangements with third party cloud platforms, we generally provided (i) different types of cloud services to our customers based on the cloud platforms owned by third parties, (ii) customised cloud services by integrating the functions and software from different third party cloud platforms and our self-developed software, and (iii) cloud storage services and software licensing services provided in collaboration with other third party cloud platforms service providers. Our Group is responsible to pay for the cloud resources, cloud subscription services and implementation services provided by the third party cloud platforms providers.

For details, please refer to the paragraph headed "Business – Our Business Segments and Models" in this prospectus.

SUMMARY

OUR CUSTOMERS

Our customers during the Track Record Period mainly include enterprises and entities from private and public sectors in the PRC, covering various industries including but not limited to retail distribution and trading, TMT, financial services, manufacturing, transportation and logistics. During the Track Record Period, all of our services were provided in the PRC.

Set out below is a breakdown of revenue by industry sector during the Track Record Period:

	2016		For the year ended 31 December				2019	
	RMB'000	%	2017 RMB'000	%	2018 RMB'000	%	RMB'000	%
TMT	213,311	65.2	329,243	70.3	381,727	62.4	475,803	60.1
Financial services	28,549	8.7	38,591	8.2	72,708	11.9	125,997	15.9
Manufacturing	48,632	14.9	56,952	12.2	78,753	12.9	53,213	6.7
Energy	6,566	2.0	20,215	4.3	13,068	2.1	41,517	5.2
Real estate	3,578	1.1	8,562	1.8	22,515	3.7	27,137	3.4
Transportation and logistics	8,395	2.6	2,727	0.6	13,904	2.3	20,659	2.6
Consulting services	1,114	0.3	3,330	0.7	5,834	1.0	17,688	2.2
Trading and retail	6,682	2.0	4,390	0.9	7,618	1.2	10,358	1.3
Property management services	22	—*	—	—	—	—	9,069	1.2
Hotel and restaurants	1,254	0.4	475	0.1	2,721	0.4	5,944	0.8
Education	3,118	1.0	1,714	0.4	8,402	1.4	1,158	0.2
Biomedicine	984	0.3	281	0.1	2,733	0.4	300	—*
Others (Note)	5,088	1.5	1,959	0.4	2,109	0.3	3,045	0.4
Total	327,293	100.0	468,439	100.0	612,092	100.0	791,888	100.0

* Less than 0.1%

Note: Others principally refer to public bodies including authorities or institutions which are established pursuant to specific statutory legislations in PRC, companies involved in design and construction related services, traveling agencies companies, etc.

Our customers are mainly divided into two categories, namely (i) intermediaries; and (ii) end-users. Intermediaries are mainly IT enterprises which provide overall IT solutions to end-users while end-users which include TMT, manufacturing, finance, transportation and logistics companies and other commercial organizations. During the Track Record Period, the majority of our customers are end-users. We were also engaged by intermediaries to perform certain parts or specific areas of the IT services, which mainly include system analysis and design, feasibility study and procurement of hardware and/or software products.

The following table sets forth the breakdown of our revenue by types of customers for the years indicated:

	2016		For the year ended 31 December				2019	
	RMB'000	%	2017 RMB'000	%	2018 RMB'000	%	RMB'000	%
End-users	289,609	88.5	396,995	84.7	538,416	88.0	719,565	90.9
Intermediaries	37,684	11.5	71,444	15.3	73,676	12.0	72,323	9.1
Total	327,293	100.0	468,439	100.0	612,092	100.0	791,888	100.0

For the four years ended 31 December 2019, the revenue from our five largest customers accounted for approximately 57.3%, 63.1%, 59.4% and 58.7% of our total revenue, respectively. Meanwhile, the revenue from our largest customer accounted for approximately 42.8%, 49.6%, 42.3% and 40.4% of our total revenue for the four years ended 31 December 2019, respectively.

SUMMARY

OUR RELATIONSHIP WITH CUSTOMER A

Our largest customer during the Track Record Period, Customer A, is a leading global provider of information and communications technology and smart devices. According to the Industry Report, Customer A was ranked first in the IT services industry in the PRC in terms of revenue in 2018, accounting for approximately 5.4% of the total market share in 2018.

We have over 10 years of business relationship with Customer A. Our sales to Customer A during the Track Record Period involve IT services, which are important for the daily operation and management of Customer A. Our sales to Customer A accounted for approximately 42.8%, 49.6%, 42.3% and 40.4% of our total revenue for the four years ended 31 December 2019, respectively.

Considering the factors that are contributable to the mutual reliant business relationship between Customer A and us, we consider that our business operations would not be materially and adversely affected in the highly unlikely circumstance that Customer A terminates its business relationship with us. For details, please see the paragraph headed “Business – Relationship with Customer A during the Track Record Period” in this prospectus.

Our Group intends to adopt the measures to reduce our reliance on Customer A, which are in line with our business development strategies. For details, please refer to the paragraphs headed “Business – Relationship with Customer A during the Track Record Period” and “Business – Our Strategies” in this prospectus.

U.S. BAN

On 16 May 2019, the United States implemented restrictions on the provision of U.S. origin or exported products to Customer A and certain of its non-US affiliates by both U.S. and non-U.S. companies, unless authorized by a license issued by BIS. As such, our Group is thereby prohibited from providing Customer A with products and services which are exported from the U.S. or are of U.S. origin, including but not limited to those IT products and software procured by our Group from Supplier A, until and unless the applicable licenses have been obtained from BIS authorising the provision of the relevant products and services to Customer A.

After the announcement of the U.S. Ban on 16 May 2019 and up to the Latest Practicable Date, our Group has suspended the provision of IT services involving the use of U.S. originated products and/or services to Customer A, unless relevant licenses have been obtained from BIS authorising the continued supply of such U.S. originated products and/or services to Customer A. To the best knowledge and belief of our Directors and as confirmed by the authorised representative of Supplier A, Supplier A has applied to BIS for licenses to supply the seven series of IT products and services to Customer A through our Group. On 2 August 2019, Supplier A obtained the CDN License from BIS to provide CDN related services under the series of cloud based software and platform to our Group for resale to Customer A. On 30 October 2019, we entered into a CDN services framework agreement with Customer A, to provide CDN services developed by Supplier A to Customer A based on the CDN License for a term of three years. We only started to provide such CDN related services since October 2019. Under such framework agreement, Customer A will place separate purchase orders with us and the service fee will be charged based on the actual usage of the CDN services by Customer A per month in line with the fixed charge-out rates set out in the framework agreement. On 31 October 2019, we received the first purchase order for CDN services from Customer A pursuant to the CDN services framework agreement. From 30 October 2019 and up to the Latest Practicable Date, the aggregate amount of Customer A’s purchase orders for CDN services was approximately RMB4.8 million.

As confirmed by the authorised representative of Supplier A, save and except for the CDN License to provide the CDN related services under the series of cloud based software and platform to Customer A since the U.S. Ban granted by BIS on 2 August 2019, the status of the U.S. Ban against Customer A remained unchanged as at the Latest Practicable Date. For further details of the U.S. Ban, please refer to the paragraph headed “Business – Business Activities with Customer A under the U.S. Ban” in this prospectus.

SUMMARY

The following table sets forth the breakdown of the revenue derived from Customer A and other customers by our business segments for the years indicated:

	For the year ended 31 December							
	2016		2017		2018		2019	
	Revenue		Revenue		Revenue		Revenue	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Customer A								
– IT infrastructure services								
(i) Derived from U.S. originated products/services	39,210	12.0%	69,785	14.9%	114,255	18.7%	113,390	14.3%
(ii) Derived from non-U.S. originated products/services	<u>55,915</u>	<u>17.1%</u>	<u>67,920</u>	<u>14.5%</u>	<u>41,612</u>	<u>6.8%</u>	<u>64,815</u>	<u>8.2%</u>
Subtotal:	<u>95,125</u>	<u>29.1%</u>	<u>137,705</u>	<u>29.4%</u>	<u>155,867</u>	<u>25.5%</u>	<u>178,205</u>	<u>22.5%</u>
– IT implementation and supporting services								
(i) Derived from U.S. originated products/services	11,059	3.4%	8,131	1.7%	9,932	1.6%	2,869	0.4%
(ii) Derived from non-U.S. originated products/services	<u>10,234</u>	<u>3.1%</u>	<u>10,468</u>	<u>2.2%</u>	<u>12,820</u>	<u>2.1%</u>	<u>36,534</u>	<u>4.6%</u>
Subtotal:	<u>21,293</u>	<u>6.5%</u>	<u>18,599</u>	<u>4.0%</u>	<u>22,752</u>	<u>3.7%</u>	<u>39,403</u>	<u>5.0%</u>
– Cloud services								
(i) Derived from U.S. originated products/services	18,974	5.8%	65,865	14.1%	68,249	11.2%	69,769	8.8%
(ii) Derived from non-U.S. originated products/services	<u>4,561</u>	<u>1.4%</u>	<u>10,297</u>	<u>2.2%</u>	<u>11,984</u>	<u>2.0%</u>	<u>32,266</u>	<u>4.1%</u>
Subtotal:	<u>23,535</u>	<u>7.2%</u>	<u>76,162</u>	<u>16.3%</u>	<u>80,233</u>	<u>13.1%</u>	<u>102,035</u>	<u>12.9%</u>
Subtotal of Customer A	<u>139,953</u>	<u>42.8%</u>	<u>232,466</u>	<u>49.6%</u>	<u>258,852</u>	<u>42.3%</u>	<u>319,643</u>	<u>40.4%</u>
Other customers								
– IT infrastructure services	103,729	31.7%	113,293	24.2%	120,384	19.7%	223,570	28.2%
– IT implementation and supporting services	58,563	17.9%	61,797	13.2%	123,074	20.1%	102,160	12.9%
– Cloud services	<u>25,048</u>	<u>7.7%</u>	<u>60,883</u>	<u>13.0%</u>	<u>109,782</u>	<u>17.9%</u>	<u>146,515</u>	<u>18.5%</u>
Subtotal of other customers	<u>187,340</u>	<u>57.2%</u>	<u>235,973</u>	<u>50.4%</u>	<u>353,240</u>	<u>57.7%</u>	<u>472,245</u>	<u>59.6%</u>
Total revenue	<u>327,293</u>	<u>100.0%</u>	<u>468,439</u>	<u>100.0%</u>	<u>612,092</u>	<u>100.0%</u>	<u>791,888</u>	<u>100.0%</u>

SUMMARY

The following table sets out the breakdown of gross profit and gross profit margin of Customer A and other customers for the years indicated:

	For the year ended 31 December							
	2016		2017		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Customer A	11,082	7.9	17,118	7.4	18,785	7.3	19,627	6.1
Other customers	<u>26,774</u>	14.3	<u>41,341</u>	17.5	<u>57,759</u>	16.4	<u>63,575</u>	13.5
Total	<u>37,856</u>		<u>58,459</u>		<u>76,544</u>		<u>83,202</u>	

As a result of the U.S. Ban, our sales to Customer A may be adversely affected. Having considered that (i) the status of the U.S. Ban remained the same as at the Latest Practicable Date and we expect such status to remain more or less the same in the remaining period of 2020 with only the CDN License granted by BIS to Supplier A; and (ii) the demand of our Group's non-U.S. originated products/services from Customer A for the year ending 31 December 2020 as compared to the same for the year ended 31 December 2019 remains at a relatively similar level, the revenue generated from Customer A for the year ending 31 December 2020 is expected to decrease by not more than 60.0% as compared to the same for the year ended 31 December 2019 without taking into account the expected revenue generated from CDN related services under the CDN License for the year ending 31 December 2020. For the relevant risks arising from the U.S. Ban, please refer to the paragraph headed "Risk Factors – Risks Relating to Our Business – We could be adversely affected as a result of our operations and sales to Customer A which is currently subject to the U.S. Ban administered by the U.S." in this prospectus.

We have taken measures to minimise and mitigate the impact by the U.S. Ban on our business operation, including (i) focusing on the sales and marketing of Supplier A's products and services which are covered by the licenses granted by BIS to Customer A; (ii) leveraging on our long-term business relationship with and our understanding of the demands of Customer A, we will procure purchases of suitable non-U.S. exported or origin products and/or services to meet the needs and requirements of Customer A in view of the restrictions and license requirements on the procurement of Supplier A's and other affected U.S. suppliers' products and/or services under the U.S. Ban; (iii) increasing in sales to other customers (excluding Customer A) can mitigate the impact of our reduced sales to Customer A due to the U.S. Ban, given that our Group generally recorded higher profit margin for the sale of products and/or services to other customers as compared to those sold to Customer A; (iv) as the U.S. Ban is intended to target Customer A only, we will further strengthen our sales and marketing efforts to attract other potential and new customers in different regions in the PRC across different industry sectors; and (v) we will continue to carefully monitor the development of the U.S. Ban and seek legal advice as necessary for the continued compliance of the U.S. Ban. To the extent that Customer A is removed from the U.S. Ban in the future, our sales of U.S. exported or origin products to Customer A will no longer be subject to licencing approval. For further details, please refer to the paragraph headed "Business – Business activities with Customer A under the U.S. Ban – Measures taken by our Group to mitigate the impact by the U.S. Ban" in this prospectus.

SUMMARY

OUR SUPPLIERS

During the Track Record Period, our suppliers mainly consisted of IT products vendors and their authorised resellers/distributors in the PRC. Our suppliers also consisted of IT services providers and other IT consultancy and services providers who may be engaged by us to act as our subcontractors to provide certain parts of our IT implementation and supporting services.

For the four years ended 31 December 2019, total purchase made from our five largest suppliers accounted for approximately 42.9%, 60.0%, 62.6% and 62.3% of our total purchases, respectively and the purchase from our largest supplier, Supplier A, accounted for approximately 29.7%, 37.2%, 36.4% and 32.7% of our total purchases for the same periods. And subcontracting cost represent approximately 6.5%, 5.5%, 8.1% and 5.4% of our total cost of sales for the four years ended 31 December 2019.

For the four years ended 31 December 2019, 24, 27, 23 and 25 of our suppliers were also our customers (the “**Suppliers/Customers**”), respectively.

During the Track Record Period, our sales to Suppliers/Customers were predominantly attributable to Supplier A. For the rest of the Suppliers/Customers, most of them are IT related companies. During the Track Record Period, our sales to Suppliers/Customers mainly included the provision of IT implementation and supporting services and the sales of hardware and software under the brand of Supplier A.

During the Track Record Period, our Group sold to and also purchased from such IT related companies because (i) certain suppliers and customers are different companies but belong to the same group; (ii) certain Suppliers/Customers who accepted our IT infrastructure services were also engaged by us as our subcontractors to provide assistance in the provision of our IT implementation and supporting services; and (iii) we also procured hardware and/or software from certain Suppliers/Customers who subcontracted certain services to us.

The following table sets out the percentage of our revenue and purchases from the Suppliers/Customers and the gross profit for the four years ended 31 December 2019, respectively:

	For the year ended 31 December			
	2016	2017	2018	2019
<i>Purchases from Suppliers/Customers</i>				
Relevant purchases and service costs paid to the Suppliers/Customers as percentage of our total purchases during the relevant year (%)	31.3	41.0	37.4	30.6
<i>Sales to Suppliers/Customer</i>				
Relevant revenue from the Suppliers/Customers as percentage of our total revenue during the relevant year (%)	1.6	3.1	4.2	4.0
Gross profit arising from our sales to Suppliers/Customers (RMB'000)	406	1,023	2,390	2,470

For further details, please refer to the paragraph headed “Business – Our Suppliers – Suppliers Who were also our Customers during the Track Record Period” in this prospectus.

SUMMARY

OUR RELATIONSHIP WITH SUPPLIER A

During the Track Record Period, the IT services provided by us to our customers were mainly based on Supplier A's products and services and our purchases of Supplier A's products and services have been primarily made via Supplier A. For the four years ended 31 December 2019, our revenue derived from Supplier A's products and services (including direct purchases from Supplier A and its authorised distributors or resellers) amounted to approximately RMB137.7 million, RMB285.0 million, RMB410.0 million and RMB548.8 million, respectively, accounting for approximately 41.9%, 60.8%, 67.0% and 69.1% of our total revenue for the same periods, respectively. Supplier A was our largest supplier for the four years ended 31 December 2019. During the Track Record Period, our purchases from Supplier A were all related to Supplier A's products and services. As at the Latest Practicable Date, we have entered into framework agreements with Supplier A. For the salient terms of such framework agreements, please refer to the paragraph headed "Business – Our Suppliers – Our Relationship with Supplier A" in this prospectus for further details.

As at the Latest Practicable Date, we have over 16 years of business relationship with Supplier A and considering the factors attributable to the mutual reliant business relationship between Supplier A and us, our Directors are of the view that there is no reasonable commercial cause for Supplier A to unilaterally terminate or deliberately limit its supply of products or services to us. For details, please refer to the paragraphs headed "Business – Our Suppliers – Our Relationship with Supplier A – Mutual and Strategic Business Relationship" and "Business – Our Competitive Strengths" in this prospectus.

In addition to our well-established relationship with Supplier A and our mutual and strategic business relationship as detailed above, we have adopted and implemented the following measures in order to reduce/mitigate our reliance on Supplier A, which are in line with our business development strategies:

- (a) We have proactively sourced and identified alternative Chinese and other non-U.S. suppliers who have developed IT products and/or services, which can offer similar functions and/or usages comparable and/or compatible with those IT products and services offered by Supplier A and other U.S. suppliers;
- (b) We intend to capitalise on the recent industry trend of growing number of Chinese IT companies and their increased investment in their R&D capabilities to procure more IT products and services from the Chinese IT companies and thereby reduce reliance on Supplier A;
- (c) We have strategically promoted and increased the use of IT products and services developed by Chinese and other non-U.S. suppliers in the course of provision of IT services to our customers;
- (d) We intend to strengthen its marketing efforts by allocating more marketing resources to join forces with the leading Chinese and other non-U.S. suppliers to promote their IT products and services; and
- (e) We will leverage on its R&D capabilities and promote our self-developed IT products and services to serve as substitutes or alternative choices by our customers when comparing to similar products and services offered by Supplier A.

SUMMARY

OUR STRENGTHS

Our Directors believe that we have the following competitive strengths:

- we are an integrated IT solution and cloud services provider in the PRC with proven track record and reputation of providing one-stop IT services to cater for our customers' needs;
- we have established strategic relationships with internationally renowned IT products vendors with their accreditations and authorisations and have been consistently appointed as their authorised services providers for sale of their IT products and/or services in the PRC;
- we have technical expertise, knowledge and R&D capabilities in our IT services;
- we have an established sales network and experienced sales team with support from our R&D team; and
- we have experienced and dedicated management team with industry knowledge in the IT services industry.

OUR STRATEGIES

We intend to strengthen our market position and increase our market share by:

- continuing to strengthen and develop our R&D and IT services capabilities and further expand our cloud services;
- expanding our offices and enhancing our services capacity to capture business opportunities in different regions in the PRC;
- establishing technical services centres to further enhance our IT services;
- strengthening our marketing efforts and improving our brand recognition; and
- maintaining fund for performance bond.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The tables below include, for the periods indicated, selected financial data derived from our consolidated statements of profit or loss and comprehensive income, the details of which are set forth in Appendix I, and these should be read in conjunction with the financial statements in Appendix I, including the related notes.

SUMMARY

Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income

Results of Operations

The following table sets forth selected items of our consolidated income statement for the years indicated:

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	327,293	468,439	612,092	791,888
Cost of sales	<u>(289,437)</u>	<u>(409,980)</u>	<u>(535,548)</u>	<u>(708,686)</u>
Gross profit	<u>37,856</u>	<u>58,459</u>	<u>76,544</u>	<u>83,202</u>
Other income and gains	2,127	2,217	2,547	3,886
Selling and distribution expense	(9,909)	(10,464)	(11,150)	(13,886)
Administrative expense	(10,630)	(11,790)	(16,222)	(22,106)
R&D expense	(3,824)	(10,589)	(18,482)	(19,279)
Reversal/(recognition) of impairment loss on financial and contract assets	139	79	(282)	(420)
Other expense	(9)	(969)	(360)	(128)
Finance costs	(1,953)	(938)	(940)	(2,323)
Share of Losses of an associate	<u>–</u>	<u>–</u>	<u>–</u>	<u>(72)</u>
PROFIT BEFORE TAX	13,797	26,005	31,655	28,874
Income tax expense	<u>(1,786)</u>	<u>(3,732)</u>	<u>(4,525)</u>	<u>(4,326)</u>
PROFIT FOR THE YEAR	<u>12,011</u>	<u>22,273</u>	<u>27,130</u>	<u>24,548</u>
Profit attributable to:				
Owners of the parent	11,915	22,371	27,130	24,548
Non-controlling interests	<u>96</u>	<u>(98)</u>	<u>–</u>	<u>–</u>
	<u>12,011</u>	<u>22,273</u>	<u>27,130</u>	<u>24,548</u>

Profit for the year was generally on an increasing trend from approximately RMB12.0 million for the year ended 31 December 2016 to approximately RMB27.1 million for the year ended 31 December 2018 driven by increase in gross profits for the same period. Profit for the year ended 31 December 2019 decreased by approximately 9.5% as compared to the year ended 31 December 2018 was mainly due to increase in listing expenses of approximately RMB3.5 million.

SUMMARY

Summary Consolidated Statements of Financial Position

The following table sets forth our consolidated financial position as at the respective dates indicated:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	173,696	127,467	175,650	195,681
Current liabilities	152,489	90,523	118,918	108,009
Net current assets	21,207	36,944	56,732	87,672
Total assets	183,618	136,705	189,132	206,500
Total liabilities	155,608	92,496	123,974	110,239
Total equity	28,010	44,209	65,158	96,261

Summary Consolidated Statements of Cash Flows

The following table sets forth our consolidated cash flows for the years indicated:

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Operating cash flows before movements in working capital	17,302	29,365	33,775	34,754
Changes in working capital	(16,016)	(5,818)	(18,400)	(20,266)
Income tax paid	(2,188)	(1,770)	(2,781)	(4,417)
Net cash flows (used in)/generated from operating activities	(902)	21,777	12,594	10,071
Net cash flows (used in)/generated from investing activities	(12,600)	3,560	1,137	(2,889)
Net cash flows generated from/(used in) financing activities	29,995	(54,769)	(13,479)	2,366
Net increase/(decrease) in cash and cash equivalents	16,493	(29,432)	252	9,548
Cash and cash equivalent at the beginning of the year	26,936	43,429	13,997	14,022
Effect of foreign exchange rate changes, net	–	–	(227)	322
Cash and cash equivalents at the end of year	43,429	13,997	14,022	23,892

SUMMARY

For the year ended 31 December 2016, we had net cash flows used in operating activities of approximately RMB0.9 million which was mainly due to (i) the increase in inventories of approximately RMB24.0 million mainly resulted from the relatively lower level of inventories as at 31 December 2015 because we had delivered majority of our inventories to our customers before the year ended 31 December 2015; (ii) the increase in trade and bills receivable of approximately RMB5.9 million mainly resulted from the increase in our sales during the year ended 31 December 2016 as compared with the year ended 31 December 2015; and (iii) the increase in contract assets of approximately RMB6.3 million because the ongoing provision of IT implementation and supporting services increased as at 31 December 2016 as compared with 31 December 2015, partially offset by (i) the increase in trade payables of approximately RMB12.1 million mainly resulted from increase in procurement before the year ended 31 December 2016 for the increase in expected orders from our customers; and (ii) decrease in prepayments, deposits and other receivables of approximately RMB4.1 million.

KEY FINANCIAL RATIOS

The following table sets out our gross profit margins, net profit margins, return on equity, return on total assets, current ratios, and debt-to-equity ratios for the years and as of the dates indicated below:

	Year ended 31 December			
	2016	2017	2018	2019
Gross Profit Margin	11.6%	12.5%	12.5%	10.5%
Net Profit Margin	3.7%	4.8%	4.4%	3.1%
Return on Equity	45.5%	50.6%	41.6%	25.5%
Return on Total Assets	6.5%	16.3%	14.3%	11.9%

	As at 31 December			
	2016	2017	2018	2019
Current Ratio	1.1	1.4	1.5	1.8
Net Debt to Equity Ratio	Net cash	Net cash	Net cash	Net cash

Please see the section headed “Financial Information – Key Financial Ratios” in this prospectus for descriptions of the calculations of the above ratios.

DIVIDENDS

For the four years ended 31 December 2019, our Group has declared dividend in the amount of nil, approximately RMB4.3 million, approximately RMB30.0 million and nil, respectively.

Following completion of the Share Offer, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders’ approval. Our Board will review our Company’s dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our financial results
- Shareholders’ interests
- general business conditions, strategies and future expansion needs

SUMMARY

- our Group’s capital requirements
- the payment by its subsidiaries of cash dividends to our Company
- possible effects on liquidity and financial position of our Group
- other factors the Board may deem relevant

Our historical declarations of dividends may not reflect our future declarations of dividends.

RISK FACTORS

There are certain risks relating to an investment in our Shares. These risks can be broadly categorised into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the Share Offer. A detailed discussion of the risk factors is set forth in the section headed “Risk Factors” in this prospectus. A summary of certain of these risk factors is set forth below. Any of the following developments may have a material and adverse effect on our business, financial condition, results of operations and prospects:

- we rely on Supplier A’s products and services for provision of our IT services, and any shortage or delay in the supply of products and services from Supplier A and/or its authorised reseller(s)/distributor(s) or any deterioration of our business relationship with Supplier A and/or its authorised reseller(s)/distributor(s) may materially and adversely affect our results of operations;
- our operations may be affected by concentrating on a few key suppliers. Should there be any loss of key suppliers or disruption in their supply, our business and results of operations could be materially and adversely affected;
- we could be adversely affected as a result of our operations and sales to Customer A which is currently subject to the U.S. Ban administered by the U.S.;
- we are unable to control the quality of the products and services provided by our suppliers. Should the products and services provided by our suppliers be defective or fail to meet the required standards, our business and reputation may be adversely affected;
- part of our services are subcontracted to subcontractors. Our operations and financial results may be adversely affected by any delay or defects in their work;
- the project basis of our IT implementation and supporting services create uncertainty as to our future revenue streams; and
- we are subject to various risks relating to the expansion and further development of our cloud services.

You should read the entire section headed “Risk Factors” in this prospectus before you decide to invest in the Offer Shares.

SUMMARY

RECENT DEVELOPMENT

Latest business development

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have entered into several IT services framework agreements with two of our existing customers, who are the leading and well-established TMT companies based in the PRC, for provision of (i) IT products and CDN services developed by Supplier A; and (ii) our self-developed products and services, for a term ranging from 3 to 5 years. The aggregate contract sum of these agreements were approximately RMB160 million. Hence, we have demonstrated our capability to further expand and enhance our business relationship with our existing customers.

Outbreak of COV

Recently, there has been an outbreak of COV, a respiratory illness which was first emerged in Wuhan city, Hubei province, China in late 2019 and later continues to expand within the PRC and globally. On 23 January 2020, the PRC government announced the lockdown of Wuhan city in an attempt to quarantine the city. Since then, draconian measures including travel restrictions have been imposed in other major cities in the PRC, as well as other countries and territories, in an effort to control the outbreak. The World Health Organization (“WHO”) declared the outbreak as a Public Health Emergency of International Concern (PHEIC) on 30 January 2020 and as a pandemic on 11 March 2020 respectively, as there has been increasing number of cases reported in other countries around the world. The State Council extended the Chinese New Year holidays to 2 February 2020, and most of the local governments have further postponed resuming work till 10 February 2020. The large-scale postponed resuming work will adversely affect the economy in the PRC.

As at the Latest Practicable Date, confirmed cases of COV have been reported in more than 30 provinces in the PRC and had spread across 25 countries and territories globally with most deaths in Hubei province, and death toll and number of infected cases continued to rise. The outbreak of COV, which is expected to result in a high number of fatalities, is likely to have an adverse impact on the livelihood of the people and the economy in the PRC, particularly Wuhan city and Hubei province. The IT services market in the PRC may be adversely affected by the economy slowdown and/or negative sentiment as well as decrease in foreign investments. However, according to Frost & Sullivan, the outbreak of COV is expected to bring limited impacts on the PRC’s IT services industry in the long run due to the fact that (i) the demand for IT services will unlikely be affected as most of the corporations in the PRC have gradually resumed their business operations; (ii) the nature of the IT products and services such as software and cloud services can be provided to the targeted customers without physical contact or transportation; and (iii) there is a growing demand from companies, especially for those in the medical and education sectors, for enhanced IT solutions and cloud based products and/or services to support their business and/or administrative operations using online resources (such as video conference system and remote access software tools) in order to avoid spread of disease through physical contacts and inconveniences caused by the disrupted transportation, closure of offices, suspension of public facilities and certain isolated areas. Further, according to the Industry Report, the epidemic has gradually improved in the PRC as the number of newly reported cases of COV kept decreasing outside Hubei province since around late February 2020. As enterprises gradually restart business operations and employees resume working, our customers’ business or office operation are expected to gradually resume starting from around mid-March 2020. For details of the impact of the outbreak of COV on the IT services market, please refer to the paragraph headed “Industry Overview – Impact of COV” in this prospectus.

In response to the impact of the outbreak of COV on enterprises based in Shenzhen, on 7 February 2020, Shenzhen Municipal People’s Government issued the Circular of Shenzhen Municipal People’s Government on Issuing Several Measures to Support the Enterprises to Bridge Over Difficulties In Response to the Novel

SUMMARY

Coronavirus Epidemic (《深圳市人民政府關於印發應對新型冠狀病毒感染的肺炎疫情支援企業共渡難關若干措施的通知》)(“**the Circular**”), the details of which are set out in the paragraph headed “Regulatory Overview – Policies relating to COV Epidemic” in this prospectus.

Impact on our business operation

As confirmed by our Directors, most of our customers’ offices have suspended operation pursuant to the circulars issued by the respective local governments due to the outbreak of COV in the PRC. While our office was temporarily closed from 3 to 17 February 2020 in accordance with the extension of the Chinese New Year holiday and delay in resumption of work announced by the PRC government, we have resumed our operation on 10 February 2020 as our staff has been working remotely and are able to continue our cooperation with our business partners (including our customers and suppliers) through electronic media and telephone. We have been granted a certificate to resume work in office by the local government on 15 February 2020 after complying with all the necessary precaution measures in accordance to local regulatory requirements.

Our Directors, after careful and due consideration, confirm that the business, financial conditions and result of operations of our Group would not be materially affected by the outbreak of COV and that we have been able to honour all of our obligations under the existing contracts with our customers, given that (i) most of the IT products and services provided by us are software licenses and packages which can be delivered via internet, email, or online platform; (ii) instead of providing on-site services during the outbreak of COV, as agreed with our customers, we have been providing IT implementation and supporting services to our customers with remote control/access software as a temporary contingency measure, and most of our cloud services can be provided online through the cloud platforms or subscription to the cloud storage services; (iii) to the best knowledge of our Directors, we have not encountered and do not expect to encounter any disruption of our supplies of products in light of the outbreak of COV because (a) as confirmed by our suppliers of hardware products, they do not face any material inability to deliver the products across cities in the PRC since the end of the extended Chinese New Year holiday, and (b) majority of our inventories being software licenses and packages which can be delivered via the internet; (iv) as confirmed by our Directors, we have not received any notices from our customers that they intended to cancel their orders due to the outbreak of COV as of year-to-date; (v) all of our principal business operations, major suppliers and major customers during the Track Record Period were not located in Wuhan city or Hubei province; (vi) we only generated minimal revenue of approximately RMB1.3 million, representing approximately 0.2% of the total revenue of our Group, from eight customers based in Wuhan city or Hubei province for the year ended 31 December 2019; (vii) as at the Latest Practicable Date, we did not have any customer based in Wuhan city nor was there any IT service required to be physically provided in Wuhan city or Hubei province and (viii) as we did not have any customers based in Hubei province and Wuhan city as at the Latest Practicable Date, we had been able to take orders, deliver and install hardware products to/for our customers in the course of provision of IT infrastructure services and IT implementation and supporting services, and we have not received any requests from our customers to defer or cancel the delivery of hardware products and its related IT services due to the outbreak of COV.

Furthermore, as confirmed by Frost & Sullivan, it is expected that there is a rapid increase in demand from the companies based in the PRC, especially for those in the medical and education sectors, for upgrading their IT infrastructure or purchasing IT products and/or services in order to support their business and/or administrative operations using online resources (such as video conference system and remote access software tools) in order to avoid spread of disease through physical contacts and inconveniences caused by disrupted transportation, closure of offices, suspension of public facilities and certain isolated areas. Based on the above, our Directors consider that the outlook of our business will remain positive and the outbreak of COV shall not materially affect our financial positions in the long run.

SUMMARY

Impact on our employees

In line with our continuing efforts to provide a safe and healthy working environment to our own employees, effective since 9 February 2020, we have implemented epidemic prevention contingency plan setting forth epidemic prevention measures in accordance to local regulatory requirements. We have also established epidemic prevention working teams consisting of our executive Directors and senior management to carry out and monitor the key epidemic prevention measures and situation:

- a. circulating a memorandum to our employees for the importance of good personal and public hygiene, including the reporting mechanism for travelling to and from Wuhan or Hubei Province, the mandatory quarantine, as well as requiring our employees or visitors to wear surgical masks in our office;
- b. maintaining a register to record the information of our employees or their family members who have been to Wuhan or Hubei Province for the past two weeks. The relevant employee should work from home for the next 14 days upon their return;
- c. keeping a clear staff sick leave record and monitoring sick leave records for employees to identify unusual trends;
- d. implementing temperature scanning for all staff when entering the office. Any staff members who have a temperature of 37.2°C or above will be asked to return home and not to enter the office, and be advised to seek medical advice immediately;
- e. providing sufficient epidemic prevention supplies (such as surgical masks and alcohol hand sanitisers) in our office for our staff in accordance with the government requirement;
- f. mandatorily requiring staff to wear surgical masks in office at all times, maintaining good indoor ventilation and regular disinfecting workplace;
- g. setting up emergency dealing and reporting procedures and contact information for suspicious and confirmed cases; and
- h. monitoring the updates with the government's preparedness plan closely and informing all staff as to the updates promptly.

We believe such measures are effective in reducing the risk of spreading of COV among our employees. As at the Latest Practicable Date, none of our employees had been suspected or confirmed to have contracted COV.

Our Directors are confident and are of the view that the potential impact on our Group's business operations and financial conditions caused by the outbreak of COV will only be temporary and short-term. Our Directors consider that even if the outbreak of COV in the PRC continues to increase which results in the suspension of our Group's revenue-generating business, our Group will still be financially viable for more than twelve months after considering our Group's minimum operating cost of approximately RMB300,000 per month and cash and cash equivalents and pledged bank deposits as at 29 February 2020 which amounted to approximately RMB32.4 million and net proceeds in relation to working capital and general corporate purposes of approximately HK\$8.7 million (equivalent to RMB7.8 million) to be received from the Share Offer, assuming the Over-allotment Option is not exercised. Our Directors will continue to assess the impact of COV on our Group's operation and financial performance and closely monitor our Group's exposure to the risks and uncertainties in connection with the epidemic. We will take appropriate measures as necessary and inform our Shareholders and potential investors as and where necessary. For further details, please refer to the paragraphs

SUMMARY

headed “The outbreak of COV may adversely affect our business, financial conditions and result of operations if the epidemic persists” and “Any future natural disasters, acts of God, outbreak of any contagious disease in the PRC or any other epidemics may adversely affect our business, results of operations and financial condition” in the “Risk Factors” section of this prospectus; and refer to the paragraphs headed “Industry Overview – Impact of COV” and “Regulatory Overview – Policies relating to COV epidemic” in this prospectus.

NO MATERIAL ADVERSE CHANGE

Save for the one-off and non-recurring expenses expected to be incurred in connection with the Listing and the expected decrease in revenue generated from Customer A under the U.S. Ban for the year ending 31 December 2020, our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 31 December 2019, the end of period reported in the accountants’ report set out in Appendix I to this prospectus, and there has been no event since 31 December 2019 which would materially affect the information shown in the accountants’ report set out in Appendix I to this prospectus.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), our immediate Controlling Shareholder, Aztec Pearl, will be legally interested in 75% of the issued share capital of our Company. The entire issued share capital of Aztec Pearl is held by Tricor Equity Trustee as the trustee for the Family Trust. The Family Trust is a revocable discretionary trust established by Ms. Ding as the settlor and as the protector, with the beneficiaries of the Family Trust as Mr. Cai and Green Leaf, a company incorporated in the BVI with Ms. Ding as the sole shareholder and director. Accordingly, we consider Aztec Pearl, and through the Family Trust, Tricor Equity Trustee, Ms. Ding, Green Leaf and Mr. Cai as a group of our Controlling Shareholders for the purpose of the Listing Rules. For further details, please refer to the section headed “Relationship with the Controlling Shareholders” in this prospectus.

THE SHARE OFFER

This prospectus is published in connection with the Hong Kong Public Offering as part of the Share Offer. The Share Offer comprises:

- (a) the Hong Kong Public Offering of 50,000,000 Hong Kong Public Offering Shares (subject to reallocation as mentioned below) in Hong Kong as described under the paragraph headed “The Hong Kong Public Offering” below; and
- (b) the International Placing of an aggregate of 450,000,000 International Placing Shares (subject to reallocation as mentioned below and any of the Over-allotment Option) which will conditionally be placed with selected professional, institutional and other investors under the International Placing.

Investors may apply for the Hong Kong Public Offering Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Placing Shares under the International Placing, but may not do both.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Placing respectively may be subject to reallocation as described in the paragraph headed “Structure and Conditions of the Share Offer – The Hong Kong Public Offering – Reallocation” in this prospectus.

SUMMARY

SHARE OFFER STATISTICS

**Based on the Offer
Price of HK\$0.25 per
Offer Share**

Market capitalisation of our Shares ⁽¹⁾	HK\$500 million
Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share ⁽²⁾	HK\$0.10

Notes:

- (1) All statistics in this table are on the assumption that the Over-allotment Option is not exercised. The calculation of market capitalisation is based on 2,000,000,000 Shares expected to be in issue immediately after completion of the Share Offer.
- (2) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is calculated after making the adjustments referred to Appendix II in this prospectus and on the 2,000,000,000 Shares expected to be in issue immediately after completion of the Share Offer.

USE OF PROCEEDS

Using the Offer Price of HK\$0.25 per Offer Share, being the Offer Price we estimate that we will receive net proceeds from the Share Offer of approximately HK\$74.0 million, assuming that there is no exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised in full, we will receive additional net proceeds of approximately HK\$17.8 million. We intend to apply such net proceeds on a pro-rata basis.

- approximately 33.0%, or approximately HK\$24.4 million, will be used for expanding our offices and enhancing our service capacity to capture business opportunities in different regions in the PRC;
- approximately 35.1%, or approximately HK\$26.0 million, will be used for strengthening and developing our R&D and IT services capabilities and further expanding our cloud services;
- approximately 16.7%, or approximately HK\$12.4 million, will be used for maintaining fund for performance bond;
- approximately 5.2%, or approximately HK\$3.8 million, will be used for strengthening our marketing effort and improving our brand recognition;
- approximately 10.0%, or approximately HK\$7.4 million, will be used for our working capital and general corporate purposes.

For further details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

SUMMARY

LISTING EXPENSES

Our estimated Listing expenses primarily consist of legal and professional fees in relation to the Share Offer. Assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$0.25 per Share, being the Offer Price stated in this prospectus, the Listing expenses to be borne by our Company are estimated to be approximately HK\$51.0 million, which are estimated to be approximately 40.8% of the gross proceeds from the Share Offer, of which approximately HK\$27.8 million is directly attributable to the issue of new Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately HK\$23.2 million is chargeable to the consolidated statements of profit or loss and other comprehensive income, of which approximately HK\$6.4 million (equivalent to approximately RMB5.3 million) and HK\$9.9 million (equivalent to approximately RMB8.8 million) were charged to the consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2018 and 31 December 2019, respectively, and approximately HK\$6.9 million (equivalent to approximately RMB6.2 million) is expected to be charged upon Listing. The estimated Listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

DEFINITIONS

In this prospectus, the following expressions shall have the meanings set out below unless the context otherwise requires.

“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“All EverGreen Securities”	All EverGreen Securities Limited, a licenced corporation under the SFO to conduct type 1 (dealing in securities) regulated activity, being one of the Joint Bookrunners, the Joint Lead Managers and the Underwriters
“Alpha Financial”	Alpha Financial Group Limited, a licenced corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, being one of the Joint Bookrunners, the Joint Lead Managers and the Underwriters
“Application Form(s)”	WHITE, YELLOW and GREEN application form(s) relating to the Hong Kong Public Offering or, where the context so requires, any of them
“Application Lists”	the application lists for the Hong Kong Public Offering
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted on 14 April 2020 (as amended, supplemented or otherwise modified from time to time), a summary of which is set out in the paragraph headed “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Aztec Pearl”	Aztec Pearl Limited, a company with limited liability incorporated in the BVI on 31 December 2018 and all its issued share is held by Tricor Equity Trustee as trustee for the benefit of Green Leaf and Mr. Cai
“BIS”	the U.S. Department of Commerce, Bureau of Industry and Security
“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate

DEFINITIONS

“Capitalisation Issue”	the allotment and issue of 1,499,999,998 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “A. Further Information about Our Company – 3. Written Resolutions of our sole Shareholder passed on 14 April 2020” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“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, which may be an individual, joint individuals or a corporation
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CDN License”	the license for CDN related services under the series of cloud based software and platform granted by BIS to Supplier A on 2 August 2019
“China” or “the PRC”	the People’s Republic of China excluding, for the purposes of this prospectus, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Co-Lead Managers”	CIS Securities Asset Management Limited (a licenced corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities); Hang Sing China Securities Limited (a licenced corporation under the SFO to conduct type 1 (dealing in securities) regulated activity), I Win Securities Limited (a licenced corporation under the SFO to conduct type 1 (dealing in securities) regulated activity); Mouette Securities Company Limited (a licenced corporation under the SFO to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities); Orient Securities Limited (a licenced corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities); Ruibang Securities Limited (a licenced corporation under the SFO to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities); and Zinvest Global Limited (a licenced corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 5 (advising on futures contracts) regulated activities)
“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)
“Company”, “our”, “our Company”, “we” or “us”	Edensoft Holdings Limited (伊登軟件控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 4 September 2018
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto it under the Listing Rules and, unless the context requires otherwise, refers to Aztec Pearl, and through the Family Trust, Tricor Equity Trustee, Ms. Ding, Green Leaf and Mr. Cai (for more details, see the section headed “Relationship with the Controlling Shareholders” in this prospectus); and “Controlling Shareholder” means any one of them

DEFINITIONS

“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“COV”	COVID-19 virus, a coronavirus identified as the cause of an outbreak of respiratory illness that was first detected in Wuhan city, Hubei province in the PRC in late 2019
“Covenantor(s)”	Aztec Pearl, Ms. Ding, Green Leaf and Mr. Cai
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the national securities market in China
“Deed of Indemnity”	the deed of indemnity dated 14 April 2020 and executed by our Controlling Shareholders as indemnifiers in favour of our Company (for itself and as trustee for and on behalf of its subsidiaries) to provide certain indemnities, particulars of which are set out in the paragraph headed “E. Other information – 1. Tax and other indemnities” as set out in Appendix IV to this prospectus
“Director(s)”	the director(s) of our Company
“Dongguan Edensoft”	Dongguan Edensoft Ltd.* (東莞市伊登軟件有限公司), a company established in the PRC with limited liability on 11 October 2013 and an indirectly wholly-owned subsidiary of our Company, the equity interest of which is wholly owned by Eden Information
“Eastern China”	includes seven provinces and municipalities located in the eastern part of China, referring to Shanghai, Jiangsu, Zhejiang, Jiangxi, Anhui, Fujian and Shandong
“Eden Information”	Eden Information Service Limited* (深圳市伊登軟件有限公司), a company established in the PRC with limited liability on 21 November 2002 with former name as Eden Information Service Co. Ltd.* (深圳市伊登軟件股份有限公司) from 15 October 2015 till 17 October 2018, and an indirectly wholly-owned subsidiary of our Company, the equity interest of which is direct wholly-owned by Shenzhen Yundeng
“Edensoft International”	Edensoft International Limited (伊登軟件國際有限公司), a limited liability company incorporated in Hong Kong on 21 August 2018 and an indirectly wholly-owned subsidiary of our Company
“Extreme Conditions”	extreme conditions including but not limited to serious disruption of public transport services, extensive flooding, major landslides or large-scale power outage after super typhoons as announced by the government of Hong Kong

DEFINITIONS

“Family Trust”	revocable discretionary trust pursuant to a Deed of Trust dated 31 December 2018 made between Ms. Ding as the settlor of the one part and Equity Trustee Limited (now known as Tricor Equity Trustee) as the trustee of the other part for Ms. Ding’s succession planning purposes and to make provision for the beneficiaries of the trust
“Frontier View”	Frontier View Limited, a business company with limited liability incorporated in the BVI on 30 July 2018 and a directly wholly-owned subsidiary of our Company
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an Independent Third Party, which is a market research company commissioned by us for preparing the Industry Report
“Fuzhou Donghu”	Fuzhou Donghu Education Technology Ltd.* (福州東湖教育科技有限公司), a company established in the PRC with limited liability on 25 December 2017, which is owned as to 24% by Eden Information, and as to the remaining 76% being held by Independent Third Parties
“GDP”	Gross Domestic Product
“General Rules of CCASS”	General Rules of CCASS published by the Stock Exchange and as amended from time to time
“ GREEN application form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Green Leaf”	Green Leaf Development Limited, a company with limited liability incorporated in the BVI on 29 October 2018 and direct wholly-owned by Ms. Ding, and also being one of the beneficiaries of the Family Trust
“Group”, “our Group”, “our”, “we”, or “us”	our Company and all of our subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
“Guangzhou Edensoft”	Guangzhou Edensoft Technology Ltd.* (廣州伊登軟件科技有限公司), a company established in the PRC with limited liability on 19 September 2007. Please see “History and Reorganisation – Disposed and Dissolved Entities prior to the Reorganization – Disposal of equity interests in Guangzhou Edensoft” in this prospectus for details
“ HK eIPO White Form ”	the application for Hong Kong Public Offering Shares in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form at www.hkeipo.hk or the IPO App

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“ HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk or the IPO App
“HKFRS”	Hong Kong Financial Reporting Standards
“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of the HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the branch share registrar of our Company in Hong Kong
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong Public Offering”	the offer for subscription of the Hong Kong Public Offering Shares to the public in Hong Kong (subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer”) at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in the paragraph headed “Structure and Conditions of the Share Offer – The Hong Kong Public Offering” in this prospectus
“Hong Kong Public Offering Shares”	the 50,000,000 new Shares (subject to reallocation) initially being offered by our Company for subscription in the Hong Kong Public Offering, as described under the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Hong Kong Public Offering Underwriters”	the underwriters of the Hong Kong Public Offering Shares whose names are set out in the section headed “Underwriting” in this prospectus
“Hong Kong Public Offering Underwriting Agreement”	the conditional underwriting agreement relating to the Hong Kong Public Offering entered into by, among others, our Company, the Covenantors and the Hong Kong Public Offering Underwriters on or around 22 April 2020, details of which are set forth in the section headed “Underwriting” in this prospectus
“Independent Third Party(ies)”	An individual(s) or a company(ies) who/which is/are independent of and not connected with (within the meaning of the Listing Rules) any of the Directors, chief executive or substantial shareholders (as defined in the Listing Rules) of our Company, its subsidiaries or any of their respective associates

DEFINITIONS

“Industry Report”	the report prepared by Frost & Sullivan on the IT services market in the PRC, as commissioned by us, an extract of which is set forth in the section headed “Industry Overview” in this prospectus
“International Placing”	conditional placing of the International Placing Shares at the Offer Price to selected professional, institutional and other investors as set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“International Placing Shares”	the 450,000,000 new Shares initially being offered by our Company for subscription under the International Placing, subject to any of the Over-allotment Option and the re-allocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“International Placing Underwriters”	the underwriters of the International Placing
“International Placing Underwriting Agreement”	the conditional underwriting and placing agreement relating to the International Placing expected to be entered into on or about 5 May 2020 by, among others, our Company, the Covenantors and the International Placing Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“IPO App”	The mobile application for HK eIPO White Form service which can be downloaded by searching “ IPO APP ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“Joint Bookrunner(s)” and “Joint Lead Manager(s)”	Cinda International, All EverGreen Securities and Alpha Financial
“Junmanyi”	Shenzhen Junmanyi Technology Co., Ltd.* (深圳市駿滿怡科技有限公司), a company established in the PRC with limited liability on 2 June 2006. Please see “History and Reorganisation – Disposed and Dissolved Entities prior to the Reorganisation – Voluntary Dissolution of Junmanyi” in this prospectus for details
“Latest Practicable Date”	13 April 2020, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	listing of the Shares on the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Wednesday, 13 May 2020, on which the Shares will be listed and dealings in the Shares first commence on the Stock Exchange

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company adopted on 14 April 2020 (as amended, supplemented or otherwise modified from time to time), a summary of which is set forth in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix III to this prospectus
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Cai”	Mr. Cai Aaron Ding, the son of Ms. Ding
“Mr. HG Ding”	Mr. Ding Hanguang (丁漢光先生), an elder brother of Ms. Ding
“Mr. Ho”	Mr. Ho Ying Wo Sammy (何應和先生)
“Mr. MG Ding”	Mr. Ding Mingguang (丁明光先生), an elder brother of Ms. Ding
“Ms. Ding”	Ms. Ding Xinyun (丁新雲女士), the Chairman of the Board, the chief executive officer, an executive Director and a Controlling Shareholder of our Company
“NASDAQ”	National Association of Securities Dealers Automated Quotations
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“Northern China”	includes 13 provinces and municipalities located in the northern part of China, referring to Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia, Liaoning, Jilin, Shaanxi, Henan, Gansu, Qinghai, Ningxia and Xinjiang
“Offer Price”	HK\$0.25 per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), at which the Offer Shares are to be subscribed for pursuant to the Share Offer, to be determined in the manner further described in the section headed “Structure and Conditions of the Share Offer – Pricing and allocation” in this prospectus
“Offer Shares”	the Hong Kong Public Offering Shares and the International Placing Shares together with, where relevant, any additional Shares issued pursuant to the exercise of any of the Over-allotment Option

DEFINITIONS

“Over-allotment Option”	the option expected to be granted by our Company to the International Placing Underwriters, exercisable by the Joint Bookrunners (for themselves and on behalf of the International Placing Underwriters) subject to the terms and conditions of the International Placing Underwriting Agreement pursuant to which our Company may be required to allot and issue up to an aggregate of 75,000,000 additional Offer Shares (representing 15% of the initial number of Offer Shares) to cover over-allocation in the International Placing
“Pacific Ridge”	Pacific Ridge Enterprises Limited, a company with limited liability incorporated in the BVI on 30 July 2018 and direct wholly-owned by Ms. Ding
“PBOC”	People’s Bank of China (中國人民銀行)
“PRC Government”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“PRC Legal Advisers”	Beijing Jingtian & Gongcheng Law Firm, our legal advisers as to PRC laws
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Qiankun Investment”	Shenzhen Zhenxinan Qiankun Investment Co. (Limited Partnership)* (深圳市振辛安乾坤投資企業(有限合夥)), a partnership established in the PRC with limited liability on 3 June 2015, with Ms. Ding as the general partner. For details, please refer to the section headed “History and Reorganisation” of this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed “History and Reorganisation” in this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)

DEFINITIONS

“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission
“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(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Offer”	the Hong Kong Public Offering and the International Placing
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 14 April 2020, the principal terms of which are summarised in the paragraph headed “Appendix IV – Statutory and General Information – D. Share Option Scheme” in this prospectus
“Shenzhen Yundeng”	Shenzhen Yundeng Technology Ltd.* (深圳市雲登科技有限公司), a wholly foreign-owned enterprise established in the PRC with limited liability on 19 December 2018 and an indirect wholly-owned subsidiary of our Company
“Sole Sponsor” or “Cinda International”	Cinda International Capital Limited, a licenced corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, being the sole sponsor to our Company for the Listing and one of the Joint Bookrunners, the Joint Lead Managers and the Underwriters
“Southern China”	includes ten provinces and municipalities located in the southern part of China, including Hubei, Hunan, Guangdong, Guangxi, Hainan, Chongqing, Sichuan, Guizhou, Yunnan and Tibet
“sq.m.”	square meter
“Stabilising Manager”	All EverGreen Securities
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	means the stock borrowing agreement expected to be entered into between All EverGreen Securities or its affiliate as the stabilising manager and Aztec Pearl as the lender
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“SysTime”	Shenzhen SysTime Technology Ltd.* (深圳市信瑞時代科技有限公司), a company established in the PRC with limited liability on 16 February 2007 with former names as Shenzhen Eden Xinrui Technology Ltd.* (深圳市伊登信瑞科技有限公司) from 5 August 2015 till 7 June 2017, Shenzhen Eden Xinrui Technology Co., Ltd.* (深圳市伊登信瑞科技股份有限公司) from 27 September 2008 till 5 August 2015 and Shenzhen Jiaxinrui Technology Co., Ltd.* (深圳市嘉信瑞科技股份有限公司) from 16 February 2007 till 27 September 2008. Please see the paragraph headed “History and Reorganisation – Disposed and Dissolved Entities prior to the Reorganisation – Disposal of equity interests in SysTime” in this prospectus for details
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs, as published by the SFC (as amended, supplemented or otherwise modified from time to time)
“Track Record Period”	the four years ended 31 December 2019
“Tricor Equity Trustee”	Tricor Equity Trustee Limited (formerly known as Equity Trustee Limited), a company incorporated in the BVI with limited liability, was appointed as the trustee of the Family Trust, details of which are set out in the paragraph headed “History and Reorganisation – Establishment of the Family Trust”
“Underwriters”	the Hong Kong Public Offering Underwriters and the International Placing Underwriters, details of which are set out in the section headed “Underwriting” in this prospectus
“Underwriting Agreements”	the Hong Kong Public Offering Underwriting Agreement and the International Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Ban”	on 16 May 2019, the U.S. implemented restrictions on the provision of U.S. origin or exported products to Customer A and certain of its non-US affiliates by both U.S. and non-U.S. companies, unless authorized by a license issued by BIS
“U.S. dollars”, “US\$” or “USD”	United States dollars, the lawful currency of the United States
“U.S. Exchange Act”	the United States Securities Exchange Act of 1934, as amended or supplemented from time to time and the rules and regulations promulgated thereunder
“U.S. GAAP”	generally acceptable accounting principles in the U.S.
“U.S. Legal Advisers”	DLA Piper Middle East LLP, our legal advisers as to U.S. laws with respect to the U.S. Ban

DEFINITIONS

“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Public Offering Shares to be issued in the applicant’s/ applicants’ own name(s)
“ YELLOW Application Form(s)”	the application form(s) for use by the public who requires such Hong Kong Public Offering Shares to be deposited directly in CCASS

The English names of PRC laws, regulations, governmental authorities, institutions, and of companies or entities established in the PRC included in this prospectus are translations of their Chinese names or vice versa and are included for identification purposes only. In the event of inconsistency, the Chinese versions shall prevail.

** For identification purposes only*

GLOSSARY OF TECHNICAL TERMS

This glossary contains certain definitions and technical terms used in this prospectus in connection with our business. As such, some terms and definitions may not correspond to standard industry definitions or usage of such terms.

“Authorisation”	the consent given by the IT products vendors to the IT services providers to distribute the products and services and/or offer corresponding technical support to the end-customers
“Business partnership”	the business relationship between the IT products vendors and IT services providers, the details of which varies on a case by case basis
“CAGR”	compound annual growth rate
“CDN”	the content delivery network, a distributed network of servers that can efficiently deliver web content to users
“cloud” or “cloud services”	internet-based computing services in which large group of remote services are networked to allow centralised data storage and online access to computer services or resources. This can be divided into individual cloud services and enterprise cloud services, and in the context of this prospectus, refer to the enterprise cloud services and the corresponding models can be divided into three types, namely, Software as a Service, Platform as a Service and Infrastructure as a Service and in the context of this prospectus, refer to the Platform as a Service and Software as a Service
“cloud platform”	include (i) the hardware and operating environment of a server in an internet-based data centre; and (ii) the software infrastructure for a cloud computing service, which includes applications that allow users to create and manage their own accounts
“DDP”	delivery duty paid under INCOTERMS 2000
“Eden Cloud”	the cloud platform offered by our Group, which provides platform management services for the customers
“GB”	gigabytes
“hardware”	physical elements that constitute a computer system, such as central processing unit, monitor, mouse, keyboard and hard disk
“ICT”	information and communications technology
“INCOTERMS 2000”	International Rules for the Interpretation of Trade Terms of 2000

GLOSSARY OF TECHNICAL TERMS

“IoT” or “internet-of-things”	a type of network that realises intelligent identification, positioning, tracking, monitoring and management of targeted objects achieved by exchange of information and communication between such targets and internet via intelligent terminal products under pre-determined protocol
“ISO”	International Organization for Standardization, a non-governmental organization that develops and publishes international standard
“IT”	information technology
“IT infrastructure” or “IT infrastructure services”	the composite IT systems, network and related hardware and software required to serve as the foundation for building an enterprise IT environment
“IT services”	for the purposes of this prospectus, IT services comprise IT infrastructure services, IT implementation and supporting services and cloud services
“IT solution” or “IT solution services”	an aggregation of IT products and services, which generally include design of IT solutions, development and/or implementation of IT products and technical and maintenance supporting services, as opposed to a single, direct IT product, and in the context of this prospectus include IT infrastructure services and IT implementation and supporting services
“IT system”	in the context of this prospectus, an integrated set of hardware and software components for computing usage
“IaaS”	Infrastructure as a Service
“LSP” or “Licensing Solutions Provider”	a certified partner awarded by Supplier A and is recognised to be capable of providing effective IT solutions using both software and cloud based products and services provided by Supplier A
“PaaS”	Platform as a Service
“R&D”	research and development
“software”	any set of machine-readable instructions that directs a computer’s processor to perform specific operations
“SMB”	small and medium sized business
“SaaS”	Software as a Service
“TMT”	technology, media and telecommunications
“5C”	component, computer, communication, consumer and commercial

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS ARE SUBJECT TO RISKS AND UNCERTAINTIES

This prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for the periods of time to which such statements relate. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business strategies and plans to achieve these strategies;
- changes on the fair valuation of our biological assets;
- our future debt levels and capital needs;
- changes to the political and regulatory environment in the industry and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory licenses or permits;
- changes in competitive conditions and our ability to compete under these conditions;
- future developments, trends and conditions in the industry and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- effects of the global financial markets and economic crisis;
- our financial conditions and performance;
- our dividend policy; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

In some cases, we use the words “aim”, “anticipate”, “believe”, “can”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “ought to”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and similar expressions to identify forward-looking statements. In particular, we use these forward-looking statements in the “Business” and “Financial Information” sections of this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

FORWARD-LOOKING STATEMENTS

These forward-looking statements are based on current plans and estimates, and speak only as of the date they were made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. Nonetheless, due to the risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all.

Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Share Offer. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and prospects of our Group.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; (iv) risks relating to the Share Offer; and (v) risks relating to statements made in this prospectus.

RISKS RELATING TO OUR BUSINESS

We rely on Supplier A's products and services for provision of our IT services, and any shortage or delay in the supply of products and services from Supplier A and/or its authorised reseller(s)/distributor(s) or any deterioration of our business relationship with Supplier A and/or its authorised reseller(s)/distributor(s) may materially and adversely affect our results of operations.

During the Track Record Period, the IT services provided by us to our customers were mainly based on Supplier A's products and services and approximately 29.7%, 37.2%, 36.4% and 32.7% of our total purchases was attributable to the purchase of Supplier A's products and services for the four years ended 31 December 2019.

We have entered into framework agreements with Supplier A, which govern our provision of its products and services to our customers. Pursuant to the framework agreements, we are approved to supply and resale of certain Supplier A's products and services to our customers. As at the Latest Practicable Date, we were the LSP of Supplier A in the PRC, gold certified partner in 11 major IT competency areas of Supplier A and authorised device reseller under the brand of Supplier A. As such, our business relationship with Supplier A is pivotal to the provision of our IT services to our customers.

Our Directors expect that our purchase of Supplier A's products and services in association with our provision of IT services will continue to be significant in the foreseeable future. However, there is no assurance that there will be no deterioration in our relationship with Supplier A and it will not terminate any of the business relationship with our Group in the future. Our results of operations may be materially and adversely affected by any shortage of or delay in the supply of products and services of Supplier A. Thus, our Group's business, financial position and results of operations may be materially and adversely affected if we are unable to procure Supplier A's products and services, or if any of the framework agreements is terminated by Supplier A.

RISK FACTORS

Recently, a trade war has been initiated between the U.S. and the PRC, and certain products and services imported from the U.S. to PRC are or will be subject to new tariff or trade restrictions. Our procurement from Supplier A may be affected by adverse changes and developments in global trade policies and trade protection measures, such as the imposition of new trade barriers, sanctions, boycotts and other measures, which are beyond our control. Save and except for the U.S. Ban on Customer A, the U.S. had not announced any trade policies that may directly impact our procurement from Supplier A as at the Latest Practicable Date. However, we cannot accurately predict whether any tariffs or quota fees will be imposed by the PRC on the products and services procured from Supplier A or any further trade restrictions imposed by the U.S. on export of Supplier A's products and services to the PRC other than the U.S. Ban on Customer A in the future.

Any trade restrictions imposed by the U.S. or tariffs imposed by the PRC on the Supplier A's products and services could significantly increase our customers' purchase costs, which may lead our customers to purchase IT products and services from suppliers based in other jurisdictions that are not subject to such trade restrictions or tariffs. Furthermore, the uncertainties on the trade restriction policies resulting from the trade war may cause difficulties for our customers to project their plans and may cause them to reduce their orders from our IT services involving the use of Supplier A's products and services. In such circumstances, our business, financial condition and results of operations could be materially and adversely affected.

Our operations may be affected by concentrating on a few key suppliers. Should there be any loss of key suppliers or disruption in their supply, our business and results of operations could be materially and adversely affected.

As at the Latest Practicable Date, we concentrate on a few of our key suppliers for supply of products and services essential to our IT services. Approximately 42.9%, 60.0%, 62.6% and 62.3% of our total purchases for the four years ended 31 December 2019, respectively, were accounted for by our five largest suppliers. In particular, approximately 29.7%, 37.2%, 36.4% and 32.7% of our total purchases for the same periods was attributable to Supplier A, our largest supplier for the four years ended 31 December 2019.

It generally involves several risks when there is a concentration on a few key suppliers, including the possibility of defective products and services from a supplier, loss of market share of supplier's products and services, failure of supplier's products and services to maintain their competitiveness because of changing IT standards or customers' preference, a shortage of products and services supply and loss of such suppliers.

We may not be able to meet the delivery schedules or may encounter delays in our projects if we are unable to maintain our relationships with our key suppliers or our key suppliers fail to supply the products and services to us in a timely manner and under acceptable terms. If there is any disruption in their supply of products and services to us and we are unable to identify an alternative source of supply with competitive prices and terms and satisfactory quality in a timely manner, our business and results of operations may be adversely affected.

We recorded net cashflow used in operating activities during the Track Record Period. Our business operations may be adversely affected if we fail to maintain positive cashflow.

During the Track Record Period, the cash flow from our operating activities was primarily from the receipt of payments from our customers for the provision of IT infrastructure services, IT implementation and supporting services and cloud services. In providing our IT infrastructure services, we normally receive the service fees at a fixed rate upon delivering our services. For our IT implementation and supporting services, we generally receive payment from our customers at fixed rate by instalment in accordance with the payment schedule as set out in the services contracts. For our cloud services, our customers are generally charged on fixed fees over an agreed service period.

RISK FACTORS

From time to time, we may need to commit cash in operating activities prior to receiving payments, which primarily include purchase of inventories, payment of services by our vendors, staff costs and guarantee for some of our IT vendors. For the year ended 31 December 2016, we had experienced net cashflow used in operating activities of approximately RMB0.9 million. For details, please refer to the paragraph headed “Summary – Summary Consolidated Statements of Cash Flows” in this prospectus.

For the years ended 31 December 2017, 31 December 2018 and 31 December 2019, we recorded net cashflow generated from operating activities amounted to approximately RMB21.8 million, RMB12.6 million and RMB10.1 million respectively. There is no guarantee that we would be able to generate net cashflow from our operating activities and the result of our business operations would be adversely affected if cashflow problems recur.

Our historical financial conditions and results of operations may not be indicative of our future growth.

For the four years ended 31 December 2019, our revenue was approximately RMB327.3 million, RMB468.4 million, RMB612.1 million and RMB791.9 million, respectively, with our net profit of approximately RMB12.1 million, RMB22.3 million, RMB27.1 million and RMB24.5 million for the respective periods. For the same periods, our gross profit was approximately RMB37.9 million, RMB58.5 million, RMB76.5 million and RMB83.2 million, respectively, with our overall gross profit margin of approximately 11.6%, 12.5%, 12.5% and 10.5%, respectively. For details, please refer to the paragraphs headed “Financial Information – Selected Line Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income – Gross Profit and Gross Profit Margin” and “Financial Information – Period to Period Comparison of Result of Operations” in this prospectus.

We may not be able to sustain our historical growth rate, revenue and profit margin during the Track Record Period for various reasons, including but not limited to, intensification of competition among IT services providers, fluctuations on the costs of products and services and other unforeseen factors such as reduced number of customers and/or reduced profit margin of the IT products and services. Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance.

We are unable to control the quality of the products and services provided by our suppliers. Should the products and services provided by our suppliers be defective or fail to meet the required standards, our business and reputation may be adversely affected.

The IT services provided by our Group involve a variety of products and services procured from our suppliers. However, the quality of those products and services is not under our control. Coding defects or errors that may impair our customers’ ability to use our IT services may be found in such products and services. Similarly there may be design or manufacturing defects that could cause malfunctions in the products and services we assemble for our customers in connection with our solutions. The products and services we source from our suppliers and our customers’ existing IT infrastructure may also involve compatibility issues.

There is no assurance that all such defects and issues would be detected and resolved to meet our customers’ required standards. We may also be subject to legal proceedings initiated by the customers in relation to products and services defects. In such event, there may be material adverse effects on our reputation and financial performance as we may need to incur additional cost to settle or defend these claims or legal actions.

RISK FACTORS

We may encounter cost overruns or delays in the provision of our IT services and our business, financial position and results of operation may be materially and adversely affected.

In providing IT services to our customers, we are normally required by the terms of such services to complete a project at a fixed price. In this connection, in order to determine the quotations to our customers, we estimate the time and cost needed for the implementation of these IT services projects. There may be various factors affecting the actual time taken and cost incurred by us in completing the projects, including, among others, integration with third party suppliers' products, services, technical difficulties, documentation readiness and other unforeseeable problems and circumstances.

Delay in project completion or cost overruns could be caused by any one of these factors. It cannot be assured that the actual time taken and cost incurred would not exceed our estimation. We expect to continue undertaking fixed price projects and this increases the possibility of exposing us to cost overruns and resulting in lower profits or losses in a project. Some of our projects are subject to specific completion schedules, and if we do not meet the schedules some of our customers are entitled to claim liquidated damages from us. In addition, failure to meet the schedules of the projects may result in liquidated damages claims, other liabilities and disputes with our customers or even termination of relevant projects.

We cannot guarantee that we would not encounter cost overruns or delays in our current and future projects. Our business, reputation, financial position and results of operations would be materially and adversely affected if such problems occur.

We are subjected to credit risk exposures due to delay or uncertainties of payment from our customers.

The credit risk of our business operations refers to risk that counterparty will default on its payment or contractual obligations which results in financial loss to our Group. It is our Group's policies to trade only with recognised and trustworthy third parties and all customers are subjected to credit verification procedure if they wish to trade on credit terms. However, we cannot assure you that all payment obligations will be settled by our customers at a timely manner or at all. Defaults by customers in giving payments for services which we may have already incurred costs may materially affect our financial resources and business operations. During the Track Record Period, we have certain concentration of credit risk from our customers within top five balances. For further details, please refer to note 38 (Financial Risk Management Objectives and Policies) of the Accountants' Report set out in Appendix I to this prospectus.

We could be adversely affected as a result of our operations and sales to Customer A which is currently subject to the U.S. Ban administered by the U.S.

On 16 May 2019, the United States imposed the U.S. Ban on Customer A and our Group is thereby prohibited from providing Customer A with products and services which are exported from the U.S. or are of U.S. origin, including but not limited to those IT products and software procured by our Group from Supplier A and other U.S. suppliers, until and unless the applicable licenses have been obtained from BIS authorising the provision of the relevant products and services to Customer A. For further details of the U.S. Ban and the related U.S. Export Administration Regulations, please refer to the paragraph headed "Business – Business Activities with Customer A under the U.S. Ban – Background of the U.S. Ban on Customer A" in this prospectus.

RISK FACTORS

During the Track Record Period, our revenue derived from the sales to Customer A in aggregate accounted for approximately 42.8%, 49.6%, 42.3% and 40.4% of our total revenue for the four years ended 31 December 2019, respectively. As at the Latest Practicable Date, Supplier A has confirmed that it has obtained a license from BIS which allows Supplier A to continue to provide products and services under the series of cloud based software and platform to our Group for resale to Customer A. For details of the transactions with Customer A under the U.S. Ban, please refer to the paragraph headed “Business – Business Activities with Customer A under the U.S. Ban – Transactions with Customer A under the U.S. Ban” in this prospectus.

We have undertaken to the Stock Exchange that we will not use the proceeds from the Share Offer, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or transactions which are prohibited under the U.S. Ban. We have also undertaken to the Stock Exchange that we will not enter into transactions with Customer A that would expose us or the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors to risks of being sanctioned. If we breach any of these undertakings to the Stock Exchange after the Listing, it is possible that the Stock Exchange may delist our Shares.

We will also seek to prevent our transactions with Customer A and other U.S. suppliers from violating the U.S. Ban or any other economic sanctions and export control under the laws of the U.S., and avoid carrying our business transactions with Customer A and other U.S. suppliers which are not authorised by licenses granted by BIS. However, we cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels with respect to the U.S. Ban. Our business and reputation could be adversely affected if the U.S. government, BIS or any U.S. governmental entity were to determine that any of our business activities with Customer A exceed the scope of activities authorized by the relevant BIS licenses or constitute a violation of the U.S. Ban or sanctions they impose. If any U.S. government entity were to determine that our Group acted in breach of the U.S. Ban and/or without the proper authorisation of a licence, our Group may be subject to both criminal and administrative penalties in the U.S.. Under the Export Control Reform Act of 2018, criminal penalties can include up to 20 years of imprisonment and up to US\$1 million in fines per violation, or both. Administrative monetary penalties can reach up to US\$300,000 per violation or twice the value of the transaction, whichever is greater.

In addition, as many economic sanction programs and export control measures such as the U.S. Ban are evolving, new requirements or restrictions could come into effect which might increase scrutiny on transactions with Customer A or result in one or more of our business activities with Customer A being deemed to have violated the U.S. Ban, or being sanctionable. As a result, concern about potential legal or reputational risk associated with our historical and on-going business dealings with Customer A could also reduce the marketability of the Offer Shares to particular investors, which could affect the price of our Offer Shares and Shareholders’ interests in us and could have an adverse effect on the value of your investment in us.

The outbreak of COV may adversely affect our business, financial conditions and result of operations if the epidemic persists.

The outbreak of COV in or around December 2019 has severe impact on the livelihood and economy in the PRC. On 23 January 2020, the PRC government imposed a lockdown of Wuhan city in an effort to quarantine the city, followed up with other measures including travel restrictions and temporary close of enterprises’ offices in other cities in the PRC. For the year ended 31 December 2019, we had eight customers located in Wuhan city or Hubei province with total revenue of approximately RMB1.3 million, which amounted to 0.2% of our total revenue for the same year. As at the Latest Practicable Date, our Directors confirm that we did not have any customer based in Wuhan city nor was there any IT service required to be physically provided in Wuhan city or Hubei province.

RISK FACTORS

Given that all of our operations are located in the PRC and in the light of the widespread of COV, the normal operation of our business could be materially disrupted if our employees are infected with COV or being quarantined or are restricted to travel. There is no certainty as to how long the lockdown and other restrictions will remain. The development of the epidemic is beyond our control and there is no guarantee that the outbreak can be effectively contained in a short period of time or at all. As such, our business, financial conditions and result of operations may be materially and adversely affected if the epidemic persists.

Part of our services are subcontracted to subcontractors. Our operations and financial results may be adversely affected by any delay or defects in their work.

We from time to time will subcontract to subcontractors certain services in our provision of IT implementation and supporting services such as IT services for file management, establishment of IT services management platform and technical and maintenance support services, which require specialised expertise and/or large labour force.

For the four years ended 31 December 2019, our subcontracting cost amounted to approximately RMB18.9 million, RMB22.5 million, RMB43.2 million and RMB38.3 million, respectively, which accounted for approximately 6.5%, 5.5%, 8.1% and 5.4%, of our cost of sales for the relevant periods, respectively. Please refer to the paragraph headed “Business – Subcontracting” in this prospectus for details of our reasons of such subcontracting and our selection and control system over our subcontractors.

If our subcontractors fail to meet our requirements, the quality of our IT services may be adversely affected, thereby damaging our business reputation, hindering our opportunity to secure future projects, and potentially exposing us to litigation and damages claims from our customers. In addition, when our needs for outsourcing arise, our subcontractors may not always be readily available. There is no assurance that we would be able to maintain our relationships with the subcontractors in the future. Our subcontractors are not obliged to provide services to us on our future projects on similar terms and conditions. We cannot assure that we would be able to find alternative subcontractors with the requisite knowledge, expertise, experience and capability that meet our project needs and work requirements and timely complete our projects in accordance with the project terms with competitive prices. Our ability to complete projects on time and with effective cost could be impaired, thereby damaging our business reputation and adversely affecting our operations and financial results if we are unable to engage such suitable alternative subcontractors.

It may be difficult for us to recruit, train and retain capable and experienced sales staff and skilled technical staff. If there is any shortfall in our workforce or increase in labour cost, our business operations may be materially impeded and our financial results may be adversely affected.

Our business and success depend heavily on the services provided by our staff, particularly on our sales and technical staff. Hence, our ability to recruit, train and retain our capable and experienced sales and technical staff is of great importance to our business operation. Since we cannot prevent those staff we currently employed from terminating their respective contracts in accordance with the relevant agreed conditions nor can we prevent them from leaving and setting up business in competition with us, we cannot assure you that we will be able to retain them. Further, as the number of such eligible staff is fairly limited in the market, especially those with experience in IT implementation and supporting services and cloud services, in the event that we need to replace any of our current sales and technical staff or make any additional hire to expand our workforce, we cannot assure you that we will be able to successfully attract and train competent and experienced sales staff and highly skilled technical staff. Accordingly, if there is any significant increase in the turnover rate of our sale and technical staff, coupled with our inability to recruit eligible staff for replacement expeditiously, there may be a shortfall in our workforce and result in a material adverse impact on our business and operations.

RISK FACTORS

Due to the keen competition for IT professionals, we were compelled to offer competitive remuneration to our staff to maintain a steady workforce. Further, there has been an increase in the salaries of IT professionals in the PRC in the last few years. According to the Industry Report, the average annual salary of IT professionals has increased at a CAGR of 9.8% from 2013 to 2018 and is expected to continue to rise at a CAGR of 9.9% from 2019 to 2023. Since most of our IT services projects are charged at a fixed price, in the event that there is an increase in our labour cost, our Group may not be able to transfer the increase of labour cost to our customers. Accordingly, our financial results may be adversely affected.

Our business may be adversely affected if we fail to retain certain key executives and senior management or find suitable replacements since our performance relies heavily on them.

Our operating performance, growth and success rely significantly on the contributions, experiences, continued services and performance of our key executives and senior management, in particular, Ms. Ding, our chief executive officer and an executive Director, together with members of our senior management, Mr. Xu Qingtang and Mr. Chen Junmin, all of whom have considerable experience in the IT services industry. For details of the biographies of our executive Directors and senior management, please refer to the section headed “Directors and Senior Management” in this prospectus.

There is no assurance that the employment of these key executives and members of senior management with us will not be terminated. The loss of any such key personnel without a timely and suitable replacement could be detrimental to our business and operations as we operate in a highly competitive industry.

We are exposed to potential liabilities for damages as a result of our negligent acts or omissions in our IT services.

Our IT services normally run through service test or user acceptance test (as the case may be) before presenting to our customers. Nonetheless, there is no assurance that all the bugs, errors or flaws in our solutions, if any have been detected and corrected. Some of our IT services projects require us to indemnify our customers from any claim, loss and damages, attributable to our negligent acts or omissions, or to any loss of property, infringement of intellectual property right, or leakage of confidential information.

The project basis of our IT implementation and supporting services create uncertainty as to our future revenue streams.

Our sales and marketing activities, bidding in open tenders, invitations for bid, recurring customers and referrals are the various means through which our IT implementation and supporting services projects are identified. Our IT implementation and supporting services are generally conducted on a project-by-project basis and this is not recurrent in nature. Subsequently, our customers may engage us in enhancement work or conducting upgrades for the IT infrastructure integrated by us in previous projects. However, after completion of projects, there is no assurance that our customers will continue to provide us with new businesses. We are unable to guarantee that the demand for our IT implementation and supporting services will remain high in the future nor can we guarantee that we will be able to enter into new contracts with our customers to provide them with our IT implementation and supporting services. Our business and future revenue will likely be adversely affected in the event that we are unable to secure new engagements with our new customers or our existing customers.

RISK FACTORS

Our business and our financial performance may be adversely affected by any infringement of our intellectual property rights or any infringement by us of the intellectual property rights of others, in particular our customers.

Should there be any unauthorised use of our brand name or domain name by our competitors in their corporate names or brands, our image could be affected and our competitive advantages may be eroded. The steps taken by us may not effectively prevent infringement of our intellectual property rights and it is difficult to keep track of unauthorised use of our proprietary rights. Significant legal cost may be incurred if we have to resort to litigation to enforce our intellectual property rights.

There is also a risk that we may infringe the intellectual property rights of others, including our customers. The measures we have implemented to protect us against unauthorised leakage of confidential information, such as requiring our employees to enter into agreements imposing non-disclosure obligations, may not be adequate. In addition, in the development, deployment, testing, and operation or during the course of our services, a number of open source software and third party software may have been used. Therefore, for the use of such open source software and third parties' software, we may have to obtain licences and comply with the terms and restrictions therein. There can be no assurance that we will not be alleged to have used any of our customers' or third party's source codes or software or breached any terms and restrictions under any licence or other obligations. Defending against any of those claims could be costly, time consuming and may divert the attention of our management from operating our business. Should there be an adverse determination in any such litigation or proceedings to which we may become a party, we could be subjected to significant liability to third parties, be required to seek licences from third parties, pay ongoing royalties or redesign our solutions and services, or be subjected to injunctions prohibiting the sale of our solutions and services. Our customers or potential customers could defer, reduce or cancel their procurement of our solutions as a result of protracted litigation. We may be required to pay substantial damages, incur additional expenditures to develop or deploy non-infringing alternatives or to obtain the licence to use the infringing properties if we become liable to third parties for infringing their intellectual property rights.

There may be adverse impact on our reputation and business operations in the event of leakage or misappropriation of confidential information handled by us.

We may have access to and be entrusted with information that is confidential in nature, such as information that relates to our customers' systems, operations, raw data or affairs during the course of our services. There is no assurance that by taking the steps, we will successfully prevent any leakage or misappropriation of confidential information of our customers. We could be exposed to complaints or claims of our customers if there is any leakage or misappropriation of confidential information of our customers, which may have a material and adverse effect on our reputation and business operations.

Our success hinges on our ability to keep pace with the rapid changes in the IT services industry and to provide innovative solutions, products and services in response to rapidly evolving market demand. Our business, financial conditions and result of operations may be adversely impacted if we fail to do so.

Rapid technological improvements, evolving industry standards, changing customers' preferences and frequent introduction of new solutions, products and services characterise the IT services industry. In light of the continuing development and progress of IT technologies, preferences on IT services changed dramatically in the last few years and may continue to change rapidly in the future. Our existing IT services may be made obsolete or less relevant if we fail to predict accurately future development trends, and such changes may deviate from our strengths. Our brand image and reputation in the market and our future success will continue to hinge on our ability to anticipate these changes accurately and to develop innovative solutions and services to meet our

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customers' evolving needs. Further, substantial time and costs may be required to (i) adjust our scope of service in response to such rapid changes; (ii) provide updated technical training to our staff; and (iii) identify new suppliers.

We cannot assure that we may keep ourselves abreast with the latest technology. In the event that we are unable to accurately predict market trends or adapt to evolving market demand, our ability to innovate and meet customers' needs will suffer and our revenue and profitability as well as our reputation may be materially and adversely affected. If we fail to address these developments, there may also be a material adverse impact on our competitiveness and our ability to meet our growth targets.

We may experience inventories obsolescence if we fail to effectively manage increase in inventories for our business operations.

Our inventories mainly consisted of (i) hardware and other ancillary accessories and (ii) software license and package. As at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, the balance of our inventories amounted to approximately RMB24.4 million, RMB33.8 million, RMB44.7 million and RMB38.2 million respectively. It is our Group's policy to handle inventories obsolescence with due care and we normally place orders with our vendors upon receiving confirmation of orders from our customers and generally deliver our hardware products to our customers within a week after confirmation of the purchase orders from our customers. For details, please refer to the paragraph headed "Financial Information – Description on Major Components of Statements of Financial Position – Inventories" in this prospectus. During the Track Record Period, our average inventory turnover days were 14 days, 23 days, 23 days and 19 days, respectively for the four years ended 31 December 2019. The failure to manage the increase in our inventories or accurately forecast the demand of our customers may result in obsolescence of our inventories and adversely affect the result of our business operations.

We are subject to various risks relating to the expansion and further development of our cloud services.

As part of our business strategies, we intend to expand our business with respect to cloud services. In order to achieve this strategy, we are required to incur a substantial amount of our Listing proceeds in recruitment of new staff and acquisition of additional hardware and software. There is no guarantee that we will be able to recruit new specialist and technician with suitable experience and qualification nor can we guarantee that the cloud services developed or acquired by us would gain market acceptance or become popular among our customers. Further, there may be other competitors in the market with greater financial, technical and marketing resources which also offer cloud services. They may enjoy significant competitive advantages over us if they have stronger expertise or experience in the development of such technologies. If we fail to compete against such competitors, we may lose our major customers and future customers. In the event that we cannot realise the benefits we expect from the development of cloud services, our business prospect, operating results and financial conditions could be materially and adversely affected.

We expect to incur additional depreciation expenses in relation to the expansion of our Shenzhen office and establishment of branch offices in Guangzhou and Shanghai, which in turn may adversely affect our results of operations and financial conditions.

In carrying out our expansion plan through the expansion of our Shenzhen office and establishment of branch offices in Guangzhou and Shanghai, we expect to incur additional depreciation expenses arising from the additions to leasehold improvements, hardware and software. For details of our expansion plan, please refer to the paragraphs headed "Business – Our Strategies – We Intend to Expand our Offices and Enhance our Service Capacity to Capture Business Opportunities in Different Regions in the PRC" and "Business – Expansion Plan" in this prospectus. Based on our Group's depreciation policy on Note 5 to the Accountants' Report as set out in

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Appendix I to this prospectus, we estimate that an additional amount of approximately HK\$0.8 million will be incurred as depreciation expenses per annum owing to such expansion plan. Such depreciation expenses may adversely affect our results of operations and financial conditions.

Our expansion plan may also be adversely disrupted due to the outbreak of COV. It is uncertain as to how the outbreak would affect our expansion plan and the eventual impact or adverse influence would depend largely on the severity and how long the outbreak will disrupt the economic and business activities of the PRC. There is no guarantee that the amount of the aforesaid depreciation expenses would remain the same under the influence of the outbreak of COV.

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 utilise to, among other things, communicate with suppliers and customers, execute our IT services and monitor the performance of our execution team and the quality of our IT services. Any system failure that affects our ability to provide services to 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, among others, telecommunications failures, power shortages, malicious human acts and natural disasters. In addition, any steps to increase the reliability and to avoid the redundancy of our information and technological system may not be effective and may not be successful in preventing system failures.

Successful implementation of our business strategies and future plans are subject to uncertainties.

We plan to achieve our business growth by implementing a series of strategies, such as (i) strengthening and developing our R&D and IT services capabilities and further expanding our cloud services; (ii) expanding our offices and enhancing our service capacity to capture business opportunities in different regions in the PRC; (iii) establishing technical service centres to further enhance our IT services; (iv) strengthening our marketing efforts and improving our brand recognition; and (v) maintaining fund for performance bond. Please refer to the paragraph headed “Business – Our Strategies” and the section headed “Future Plans and Use of Proceeds” in this prospectus for further details. There is no guarantee that we will be able to implement any of our business strategies and future plans successfully, which in turn are subject to uncertainties and changing market conditions. Our plans for development and business expansion are formulated based on assumptions on the occurrence of certain future events, which may or may not materialise. We may also not have timely access to adequate capital financing when suitable business opportunities arise. Further, there is also no assurance that any of our business strategies will yield the benefits or achieve the level of profitability we anticipate. The profit from our implemented plans may not be sufficient to justify the start-up expenses and the increased operating costs.

We have not registered the lease agreements in respect of the lease of the premises in the PRC.

As at the Latest Practicable Date, we have entered into ten lease agreements as lessee with four Independent Third Parties as lessors for ten landed properties in Shenzhen, the PRC, as the office premises of our Group and the residence for our qualified employees for terms of years up to August 2020, December 2021, March 2021, March 2021, September 2021, September 2021 and March 2022, October 2022, October 2022 and October 2022 respectively. In addition, we have entered into twenty-one lease agreements as lessor with our selected employees as lessees for fifteen landed properties in Shenzhen, the PRC, as the residence for our selected employees for various terms of years, the last of which will expire in June 2021. Dongguan Edensoft has also entered into a lease agreement as lessee with an Independent Third Party for a landed property in Dongguan, the PRC as the office premises of Dongguan Edensoft for a term of year up to March 2021.

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According to the Administrative Measures for the Leasing of Commodity Housing* (商品房屋租賃管理辦法), the parties to a lease shall enter into written lease agreement for any landed property setting out, *inter alia*, the term, user, rent of the lease, and shall register and file the lease agreement with the department in charge of construction (real estate) of the local government* (建設(房地產)主管部門) within 30 days after the execution of the lease agreement. However, our PRC Legal Advisers are of the view that the failure to register the tenancy agreements does not affect the legality of the lease agreements pursuant to the Contract Law of the PRC* (中華人民共和國合同法). Due to the aforesaid non-registration of the relevant lease agreements, the relevant department in charge of construction (real estate)* of Shenzhen municipal can order the parties to a lease agreement to comply with the Administrative Measures for the Leasing of Commodity Housing* (商品房屋租賃管理辦法) within a prescribed time period. If we fail to go through the procedures as required by the Administrative Measures for the Leasing of Commodity Housing* (商品房屋租賃管理辦法), a fine in the range of RMB1,000 to RMB10,000 may be imposed on us.

RISK RELATING TO OUR INDUSTRY

We operate in a competitive industry, and we cannot assure you that we will be able to compete successfully.

The IT services industry in which we operate is competitive, details of which please refer to the paragraph headed “Business – Market and Competition” in this prospectus. Additional competitors with significant market presence and adequate financial resources may enter the IT services market, and thereby increase the competition. Our market position depends on our ability to anticipate and respond to various factors in a timely manner, including technical expertise, responsiveness to our customers’ preference and requirements and completion of relevant contracts to meet our customers’ schedules.

Our Group competes with competitors in the PRC primarily on the following bases:

- quality of our IT infrastructure and solutions services;
- brand recognition;
- price;
- effectiveness of sales and marketing efforts;
- strategic relationships with customers and suppliers; and
- hiring and retention of talented staff.

Our Group’s existing competitors may in the future achieve greater market acceptance and recognition and gain a greater market share. If existing or potential competitors develop or offer services that provide a better price and quality over those offered by us, our business, results of operations and financial conditions would be negatively affected.

There can be no assurance that the competition in the IT services industry will not increase in the future and if we fail to maintain or improve our market position or fail to respond successfully to changes in the competitive landscape, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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Our failure to keep abreast of the latest market developments in the IT services industry and IT technological changes may drive us out of competition.

The IT services industry is characterised by rapidly changing technology, changing customer preferences and frequent introduction of new IT products and services. Our future success will depend, in part, on our ability to (i) adapt to rapidly changing technologies; (ii) continuously improve the know-how of our staff in response to technological advances and changes; (iii) accumulate in-depth knowledge of the features and functionalities of the IT products and services; and (iv) identify new suppliers of IT products and services that can broaden our portfolio of IT products and services to meet the requirements and preferences of our customers. If we fail to keep up with the future development trends or keep updates on IT technological changes and introduction of new IT products and services, our ability to respond effectively to customer demands may be adversely affected, which may undermine our Group's future development and have an adverse impact on our Group's business and financial results.

The IT industry is highly competitive, eroding the profits of the market players.

The market for IT services is highly competitive. There is a large supply of IT services in the market which are similar to those offered by us. Further, we compete with both local and international service providers. According to the Industry Report, the IT services industry in the PRC is highly competitive and fragmented with large number of market participants with a total of over 30,000 companies with revenue of RMB500 million or above in the PRC for the year ended 31 December 2018 and the IT services providers compete with one another on, including among others, capital resources, talent, technical support and knowledge and the ability to procure corresponding government approvals and establishing stable business relationships with the potential customers. This intense competition may result in competitive pricing, which may have an adverse impact on our operating performance and profitability.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in economic conditions in the PRC could substantially affect our business.

All of our business, assets and operations are located in the PRC and all of our revenue is derived from our operations in the PRC. Therefore, our business, results of operations, financial condition and prospect are, to a significant extent, subject to the economic conditions in the PRC. The economy of the PRC differs from the economies of the most developed countries in many aspects, including but not limited to:

- the degree of the PRC government's involvement;
- the growth rate and degree of development;
- control of foreign exchange; and
- allocation of resources.

While the economy of the PRC has experienced significant growth over the past decade and consequently there has been high demand for IT services, we cannot assure you that the economy of the PRC will continue to develop at its recent fast pace. A number of factors could slow down the economic development of the PRC, such as a global economic recession, a crisis in the financial market or natural disasters. During such times of economic downturn, the demand for our IT services is likely to drop. As a result, our financial condition and results of operations could be materially and adversely affected.

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Our business, results of operations and financial condition may be affected by changes in the PRC's economic and political environment and by newly adopted PRC economic regulation policies.

The economy of the PRC used to be a planned economy and a substantial portion of productive assets in the PRC are still owned by the PRC government. The PRC government also exercises substantial control over the PRC's economic growth by allocating resources, setting monetary policies and providing preferential treatment to particular industries or companies. While the PRC government has implemented economic reform measures to introduce market forces and to establish sound corporate governance in business enterprises, such economic reform measures may be adjusted, modified or applied inconsistently from industry to industry, or across different regions of the country. Hence, we cannot assure you that we may benefit from all, or any, of the measures which are under constant adjustments.

In addition, there can be no assurance that the PRC government will continue to pursue its current economic reform policies. Our operations and financial results could be materially and adversely affected by changes in political, economic and social conditions or relevant government policies, such as changes in laws and regulations or the interpretations thereof, measures which might be introduced to control inflation, changes in the rate or method of taxation and imposition of additional restrictions on currency conversion.

Uncertainties regarding interpretation and enforcement of the PRC laws, rules and regulations may have a material adverse effect on us.

All of our business and operations are conducted in the PRC and we are therefore subject to the PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes, while court decisions have limited precedential value and are cited for reference only. Due to the limited number of published cases and the non-binding nature of court decisions, there are uncertainties on the interpretation and enforcement of the laws and regulations. The interpretation of the PRC laws, rules and regulations may also be influenced by changes in monetary policy and changes in the domestic, political and social conditions in the PRC. Accordingly, the outcome of dispute resolutions and/or litigation in the PRC may not be consistent or predictable.

Furthermore, the PRC legal system is partly based on government policies and certain internal rules, some of which are not published on a timely basis or at all, which may have a retrospective effect. As a result, we may not be aware of any violation of these policies and internal rules until sometime after the violation. Moreover, administrative or court proceedings may be extended, resulting in substantial costs and diversion of resources and management attention if our Group seeks to enforce our legal rights through administrative or court proceedings. In addition, compared to a more developed legal system, the PRC administrative and court authorities have substantially wider discretion in interpreting and implementing statutory and contractual provisions. Therefore, the outcome of administrative and court proceedings and the level of legal protection our Group is entitled to may be difficult to evaluate. These uncertainties may have a negative impact on our ability to enforce contracts, which could in turn materially and adversely affect our business and results of operations.

It may be difficult to effect service of process or to enforce foreign judgments against our Group and management.

All of our businesses, assets and operations are located in the PRC. Furthermore, the assets of our Directors are mainly located in the PRC. Therefore, investors may encounter difficulties in effecting service of process from other places outside the PRC upon us or our Directors. Moreover, it is understood that the enforcement of foreign judgments in the PRC is subject to uncertainties. A court judgement from a foreign jurisdiction may be reciprocally recognised or enforced if the jurisdiction has signed a treaty with the PRC.

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However, the PRC does not sign treaties for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom and many other countries. As a result, recognition and enforcement in the PRC of a court judgement obtained in those jurisdictions mentioned above may be difficult or impossible.

We enjoyed certain preferential tax treatment and received grants from the PRC Government. The expiration of, or failure to obtain these preferential treatments and/or government grants could have an adverse effect on the results of our operations.

During the Track Record Period, our operating subsidiaries in Mainland China other than Eden Information, Dongguan Eden and Shenzhen Yundeng are subjected to Corporate Income Tax rate of 25% on the taxable income. Eden Information was recognised as High Technology Enterprise and was entitled to enjoy a preferential tax rate of 15%, whereas Dongguan Eden and Shenzhen Yundeng were recognized as Micro and Small Company and were subjected to a preferential tax rate in the range of 5% to 10%. For the four years ended 31 December 2019, we received government grants which amounted to approximately RMB1.9 million, RMB1.4 million, RMB1.7 million and RMB2.0 million respectively. Please refer to note 8 and note 13 to the Accountants' Report set out in Appendix I to this prospectus for details. However, there is no guarantee we can enjoy the same tax benefits and/or receive similar level of government grants, or at all in the future if other income tax laws and regulations, or other measures come into effect. If we fail to extend or obtain the preferential tax rate, and/or receive similar level of government grants, or at all, our financial conditions may be adversely affected.

Payment of dividends is subject to restrictions under the PRC law.

As our Company is a holding company, we rely on dividend payment from our subsidiaries in the PRC for cash requirements, including service of any debts our Group may incur. Under the current PRC law, dividend may be paid only out of our PRC subsidiaries' accumulated after-tax profits, if any, determined in accordance with the PRC accounting standards and regulations. Moreover, our PRC subsidiaries are required to set aside a certain amount of their after-tax profits each year, if any, to fund certain statutory reserves. These reserves are not distributable as cash dividends. In addition, in the future, if our PRC subsidiaries incur debt, the loan agreement may impose restrictions on their ability to pay dividends or make other payments to our Company. The inability of our PRC subsidiaries to distribute dividends or other payments to our Company could significantly affect the amount of capital available to supply the development and growth of our business.

Foreign exchange control by the PRC government may have a material adverse effect on your investment.

We receive all of our revenue in RMB during the Track Record Period. RMB generally cannot be freely converted into any foreign currencies. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE subject to certain procedures. Hence, our PRC subsidiaries are able to pay dividends in foreign currencies to our Company without prior approval from the SAFE by satisfying certain procedural requirements. However, there is no assurance that the foreign exchange policies regarding payment of dividends in foreign currencies will continue.

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Moreover, foreign exchange transactions under the capital account, including principal payments in respect of foreign currency-denominated obligations, continue to be subject to limitations and require prior approval of the SAFE. The PRC government may further implement rules and regulations in the future, which could restrict the use of foreign currency under current account and capital account in certain circumstances. These restrictions could affect our ability to obtain foreign currency through debt financing, or to obtain foreign exchange needed for our capital expenditure. The unavailability of sufficient foreign currency or an inability to transfer sufficient dividends or make other payments to us or to otherwise satisfy their foreign currency-denominated obligations would hinder our business operation or administration. Also, we may not be able to pay dividends to our Shareholders.

Fluctuation of the exchange rates may negatively affect our profitability and our ability to pay dividends.

During the Track Record Period, all of our revenue was denominated in RMB. As dividends will be paid to our Shareholders in Hong Kong dollar, any appreciation of the Hong Kong dollar against RMB would have a negative effect on the amount available to us when converted into Hong Kong dollar, and would therefore reduce our dividend payments.

Any future natural disasters, acts of God, outbreak of any contagious disease in the PRC or any other epidemics may adversely affect our business, results of operations and financial condition.

All of our assets and operations are located in the PRC. Accordingly, our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God, which are beyond our control, may adversely affect the economy, infrastructure and livelihood of people in the PRC. People in the PRC may be under threats of flood, earthquake, sandstorm, snowstorm, fire, drought or epidemics such as COV, Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, H7N9 avian flu, or H1N1 human swine flu.

Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC. If in the future any of our employees or our customers in our office are suspected of having COV, SARS, H7N9 avian flu, H5N1 avian flu, or H1N1 human swine flu, or any other epidemics or any of our office are identified as a possible source of spreading such epidemics, we may be required to quarantine the employees that have been suspected of becoming infected, as well as others that had come into contact with those employees. We may also be required to disinfect the affected properties and thereby suffer a temporary suspension of our operations. Any quarantine or suspension of our operations will affect our business and results of operations. A recurrence of COV or SARS or an outbreak of any other epidemics in the PRC, such as the H7N9 avian flu, H5N1 avian flu, or the H1N1 human swine flu, may result in material disruptions to our operations and delays in meeting our customers' demand, which in turn could have a material adverse effect on our business, results of operations and financial condition.

RISKS RELATING TO THE SHARE OFFER

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

Prior to the Listing, there has been no public market for the Shares. The listing of, and the permission to deal with, the Shares on the Stock Exchange do not guarantee an active trading market following completion of the Share Offer. The determination of the Offer Price stated in this prospectus was the negotiation result between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company. As such, the Offer Price may not be an indicative trading price of the Shares on the Stock Exchange. Future sales of a substantial number of the Shares by our Group or its existing Shareholders after the Share Offer could adversely affect the prevailing market price of the Shares from time to time.

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In addition, the liquidity, the market price and the trading volume of the Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our Group's business. Factors affecting the volatility of the price and the trading volume of our Shares include:

- fluctuations in our operating results, such as revenue, earnings and cash flows;
- fluctuations in market prices for services of our Group or any of our Group's comparable companies;
- changes in pricing policy adopted by us and our competitors;
- investors' perception of our Group and our business plans;
- announcements of new investments, strategic alliances by our Group;
- changes in our senior management personnel; and
- general economic factors in the PRC.

In such cases, investors may not be able to sell their Shares at or above the Offer Price.

Investors may experience dilution if we issue additional Shares in the future.

Our Group may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would reduce the percentage ownership of the Shareholders and may dilute the earnings per Share and net asset value per Share.

In addition, our Group may need to raise additional funds in the future to finance expansion, investment and new development of our business. 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 the existing Shareholders, the shareholding of such Shareholders may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

Any disposal of a substantial number of Shares by our Controlling Shareholders in the public market could materially and adversely affect the market price of the Shares.

There is no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. Our Group is unable to predict the impacts, if any, of any future sales of the Shares by any of our Controlling Shareholders, on the market price of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

Possible termination of the Underwriting Agreements.

Prospective investors of the Share Offer should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to our Company from the Joint Bookrunners (for themselves and on behalf of the Underwriters) upon the occurrence of any of the events stated in the relevant underwriting agreements. Such events include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, fire, flood, tsunami, explosions, epidemic, pandemic, acts of terrorism, earthquakes, strikes or lock-outs.

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Laws of Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong or other jurisdictions.

Our corporate affairs are governed by the Memorandum, the Articles, and by the Companies Law and common law of Cayman Islands. The laws of Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. The remedies available to our Group's minority shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. Please refer to the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III to this prospectus for further information.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Certain facts and statistics included in this prospectus may not be relied upon.

Certain facts and statistics presented in the section headed "Industry Overview" and elsewhere in this prospectus are derived from the Industry Report compiled by Frost & Sullivan and other publicly available sources. We believe that the sources of these information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, the information has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters or their respective directors, affiliates or advisers or any other party involved in the Share Offer and no representation is given as to its accuracy and completeness. Accordingly, such information should not be unduly relied upon.

The current market condition may not be reflected in the statistical information included in this prospectus.

The historical information set out in this prospectus relating to market conditions of the PRC may not reflect the current market situation due to rapid changes in the economy of the PRC. In order to provide context to the industry in which we operate, and greater understanding of our market presence and performance, various statistics and facts have been provided throughout this prospectus. However, this information may not reflect current market condition of the PRC as recent economic development may not be fully factored into these statistics, and the availability of the latest data may lag behind of this prospectus. As such, any information relating to market shares, sizes and growth, or performance in the markets in the PRC and other similar industry data should be viewed as historical figures that may have little value in determining future trends and results.

Forward-looking statements in this prospectus are subject to risks and uncertainties.

This prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim", "anticipate", "believe", "can", "continue", "could", "estimate", "expect", "going forward", "intend", "ought to", "may", "might", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Please refer to the section headed "Forward-looking Statements" in this prospectus for further details.

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Such forward-looking statements reflect current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including other risk factors as described in this prospectus. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.

We strongly caution you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding us and the Share Offer.

There may be press articles, media coverage and/or research analyst reports regarding, among others, our Group, our business, our industry, our Controlling Shareholders, our Directors and employees or the Share Offer, which may include certain financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any such information in the relevant publications and we do not accept any responsibility for any such press articles, media coverage and/or research analyst reports or the accuracy or completeness or reliability of any such information or publications. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Share Offer, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Our principal business operations are primarily located, managed and conducted in Shenzhen of the PRC. All our executive Directors (except Ms. Peng Dongping) reside in the PRC as we believe it is more effective and efficient for our executive Directors to be based in the location where we have significant operations. Relocation of all our executive Directors to Hong Kong will be costly and unduly burdensome for our Company. Further, for the purpose of our Group's operations, our Directors consider that the appointment of additional executive Director who is ordinarily resident in Hong Kong for the sole purpose of satisfying the management presence requirements under the Listing Rules would not only increase the administrative costs for our Company, but would also have an impact on the effectiveness of the Board when making decisions for our Group, in particular when such decisions are required to be made within a short period of time. We therefore do not, and in the foreseeable future will not, have a management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and us:

- (a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, namely Ms. Li Yi and Mr. Tsoi Ka Shing, the respective executive Director and company secretary of our Company. The authorised representatives will act as our principal channel of communication with the Stock Exchange. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within reasonable short notice upon request and will be readily contactable by the Stock Exchange by telephone, facsimile, email address, correspondence address (if the authorised representative is not based at the registered office) and other contact details to deal promptly with any enquiries which may be made by the Stock Exchange. Each of the authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange;
- (b) each of the authorised representatives will have all necessary means to contact all the Directors (including our independent non-executive Directors) and of the senior management team promptly at all times, as and when the Stock Exchange wishes to contact them or any of them on any matters. We will implement a policy whereby:
 - (i) each Director must provide his or her mobile phone number, office phone number, facsimile number (if available) and email address (if available) to these authorised representatives and the Stock Exchange; and
 - (ii) in the event that a Director expects to travel and/or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to these authorised representatives;
- (c) meetings between the Stock Exchange and our Directors can be arranged through our authorised representatives or the compliance adviser, or directly with our Directors within a reasonable time frame. We shall promptly inform the Stock Exchange of any changes on the authorised representatives;

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) if the circumstances require, meetings of our Board can be convened and held in such manner as permitted under the Articles of Association of our Company at short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner;
- (e) we have appointed Cinda International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to act at all times, in addition to the two authorised representatives of our Company, as our additional channel of communication with the Stock Exchange for the period commencing on the date of the Listing and ending on the date on which our Company publishes its annual report in respect of its first full financial year commencing after the date of the Listing pursuant to Rule 3A.19 of the Listing Rules, and the representative(s) of the compliance adviser will be fully available to answer enquiries from the Stock Exchange. The compliance adviser will have access at all times to the authorised representatives, the Directors and the other senior management of our Company to ensure that it is in a position to provide prompt responses to any queries or requests from the Stock Exchange in respect of our Company;
- (f) all Directors (including the independent non-executive Directors) who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit freely to Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required; and
- (g) we will appoint a legal adviser as to the laws of Hong Kong after the Listing to advise us on our continuing compliance with the Listing Rules and other applicable laws and regulations in Hong Kong, or any modification, supplement and other matters.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement in this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Share Offer. Details of the terms of the Share Offer are described in the section headed “Structure and Conditions of the Share Offer” in this prospectus and in the related Application Forms.

The Listing is sponsored by the Sole Sponsor and the Share Offer is managed by the Joint Bookrunners. The Hong Kong Public Offering is fully underwritten by the Hong Kong Public Offering Underwriters and the International Placing is expected to be fully underwritten by the International Placing Underwriters.

RESTRICTIONS ON SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any such circumstances such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus or the related Application Forms and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly, in the PRC or the United States, except in compliance with the relevant laws and regulations of each of such jurisdictions.

No action has been taken to register or qualify the Offer Shares or the Share Offer, or otherwise to permit a public offering of the Offer Shares, in any jurisdiction outside Hong Kong. The distribution of this prospectus and the related Application Forms in jurisdictions outside Hong Kong may be restricted by law and therefore persons into whose possession this prospectus or any of the related Application Forms should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the applicable securities laws.

Each person acquiring the Offer Shares will be required to confirm, or be deemed by his or her or its acquisition of the Offer Shares to have confirmed, that he or she or it is aware of the restrictions on offer of the Offer Shares described in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Prospective applicants for the Offer Shares should consult their financial advisors and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of any of the Over-allotment Option and options which may be granted under the Share Option Scheme).

No part of the share or loan capital of our Company is listed, traded or dealt in on any stock exchange and save as disclosed herein, no such listing or permission to deal is being or proposed to be sought.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Offer Shares or exercising rights attached to them. None of us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters, any of their respective directors, officers, employees, partners, agents, advisers or representatives or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchasing, holding, disposition of, or dealing in, the Offer Shares or exercising any rights attached to them.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out under the sections headed “Underwriting” and “Structure and Conditions of the Share Offer” in this prospectus.

HONG KONG REGISTER OF MEMBERS AND HONG KONG STAMP DUTY

Our Company’s principal register of members will be maintained by its principal share registrar, Appleby Global Services (Cayman) Limited, in the Cayman Islands. All of the Offer Shares issued pursuant to the Share Offer will be registered on our Company’s Hong Kong share register to be maintained in Hong Kong by its Hong Kong share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong. Dealings in the Shares registered in our Company’s Hong Kong share register will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong share register of our Company, by ordinary post, at the Shareholders’ risk, to the registered address of each Shareholder.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFERING SHARES

The procedures for applying for Hong Kong Public Offering Shares are set out in the section headed “How to Apply for Hong Kong Public Offering Shares” in this prospectus and on the Application Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi and Hong Kong dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise, the translations between Renminbi and Hong Kong dollars were made at the rate of RMB0.9 to HK\$1.00, being the PBOC rate prevailing on the Latest Practicable Date. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Ms. Ding Xinyun (丁新雲)	Room 2901, Building No. 3 Jinyulanwan, Furong Road Futian District Shenzhen City PRC	Chinese
Ms. Li Yi (李翊)	Room 901, Block 2 Bi Yun Tian Yun Zi Building Shenzhen City PRC	Chinese
Mr. Ling Yunzhi (凌雲志)	Room 301, Block E Rose Garden, Four Seasons Flower City Longgang District Shenzhen City PRC	Chinese
Ms. Peng Dongping (彭東萍)	1st Floor, Block 40 Serenity Gardens 139 Hang Tau Sheung Shui New Territories, Hong Kong	Chinese
<i>Independent Non-executive Directors</i>		
Mr. Yu Kwok Leung (余國良)	Flat G, 22nd Floor, Block 6 Sorrento 1 Austin Road West Kowloon, Hong Kong	Chinese
Mr. Ho Ka Chun (何家進)	Room 03, 19th Floor, Block B Perfect Mount Garden 1 Po Man Street Shau Kei Wan Hong Kong	Chinese
Mr. Liang Chi (梁赤)	Room A802, Block 9 Hua Cheng CITIC Hong Shu Wan Nanshan District Shenzhen City PRC	Chinese

For further information regarding our Directors, please see the section headed “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Cinda International Capital Limited

a licenced corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

Joint Bookrunners and Joint Lead Managers

Cinda International Capital Limited

a licenced corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

All EverGreen Securities Limited

a licenced corporation under the SFO to conduct type 1 (dealing in securities) regulated activity

Unit 7, 11th Floor
Emperor Group Centre
288 Hennessy Road
Wan Chai, Hong Kong

Alpha Financial Group Limited

a licenced corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

Room A, 17th Floor
Fortune House
61 Connaught Road Central
Central, Hong Kong

Co-Lead Managers

CIS Securities Asset Management Limited

a licenced corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities

21st Floor, Centre Point
181-185 Gloucester Road
Wanchai, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Hang Sing China Securities Limited

a licenced corporation under the SFO to conduct type 1 (dealing in securities) regulated activity

Flat/Room C & D, 12th Floor
Hang Seng Tsuen Wan Building
289 Sha Tsui Road
Tsuen Wan, N.T., Hong Kong

I Win Securities Limited

a licenced corporation under the SFO to conduct type 1 (dealing in securities) regulated activity

Room 1916, Hong Kong Plaza
188 Connaught Road West
Sai Wan, Hong Kong

Mouette Securities Company Limited

a licenced corporation under the SFO to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities

Room 1301, 13th Floor
Tung Wai Commercial Building
109-111 Gloucester Road
Wanchai, Hong Kong

Orient Securities Limited

a licenced corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities

Room 3101, 31st Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Ruibang Securities Limited

a licenced corporation under the SFO to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities

9th Floor, Sang Woo Building
227-228 Gloucester Road
Wanchai, Hong Kong

Zinvest Global Limited

a licenced corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 5 (advising on futures contracts) regulated activities

Room 1702B, 17th Floor
Lippo Center Tower 2
89 Queensway
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal Advisers to our Company

As to Hong Kong law:

Loong & Yeung

Room 1603, 16th Floor
China Building
29 Queen's Road Central
Central, Hong Kong

As to PRC law:

Beijing Jingtian & Gongcheng Law Firm

Unit 05-06, 16th Floor, China Resources Tower
No.2666 Keyuan South Road, Nanshan District
Shenzhen, PRC

As to Cayman Islands law:

Appleby

2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

As to U.S. law:

DLA Piper Middle East LLP

PO Box 121662
Level 9, Standard Chartered Tower
Downtown
Dubai
The United Arab Emirates

Legal Advisers to the Sole Sponsor and the Underwriters

As to Hong Kong law:

King & Wood Malleons

13th Floor Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:

King & Wood Malleons

25th Floor, Guangzhou CTF Finance Centre
No. 6 Zhujiang East Road
Zhujiang New Town
Tianhe District
Guangzhou
Guangdong 510623
PRC

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Auditor and Reporting Accountants	Ernst & Young <i>Certified Public Accountants</i> 22nd Floor, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Industry Consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. 1018, Tower B 500 Yunjin Road Shanghai, 200232 China
Receiving Bank	DBS Bank (Hong Kong) Limited 11th Floor, The Centre 99 Queen's Road Central Hong Kong

CORPORATE INFORMATION

Registered Office in the Cayman Islands	P.O. Box 1350, Clifton House 75 Fort Street, Grand Cayman KY1-1108 Cayman Islands
Headquarters in the PRC	West, 2nd Floor, Building A Shenzhen International Innovation Center (Futian Technology Square) Hua Fu Street, 1006 Shennan Road Futian District, Shenzhen PRC
Principal Place of Business in Hong Kong under Part 16 of the Companies Ordinance	Room 1603, 16th Floor China Building 29 Queen's Road Central Central, Hong Kong
Company Secretary	Mr. Tsoi Ka Shing (蔡嘉誠) (<i>HKICPA</i>) 1st Floor, 51 Sheung Wo Che Shatin, New Territories Hong Kong
Compliance officer	Ms. Li Yi (李翊) Room 901, Block 2 Bi Yun Tian Yun Zi Building Shenzhen City PRC
Authorised Representatives (for the purpose of the Listing Rules)	Ms. Li Yi (李翊) Room 901, Block 2 Bi Yun Tian Yun Zi Building Shenzhen City PRC Mr. Tsoi Ka Shing (蔡嘉誠) (<i>HKICPA</i>) 1st Floor, 51 Sheung Wo Che Shatin, New Territories Hong Kong
Audit Committee	Mr. Ho Ka Chun (何家進) (<i>Chairman</i>) Mr. Yu Kwok Leung (余國良) Mr. Liang Chi (梁赤)
Remuneration Committee	Mr. Yu Kwok Leung (余國良) (<i>Chairman</i>) Mr. Ho Ka Chun (何家進) Mr. Liang Chi (梁赤)
Nomination Committee	Mr. Liang Chi (梁赤) (<i>Chairman</i>) Mr. Yu Kwok Leung (余國良) Mr. Ho Ka Chun (何家進)

CORPORATE INFORMATION

**Cayman Islands Principal Share
Registrar and Transfer Office**

Appleby Global Services (Cayman) Limited
71 Fort Street
PO Box 500
George Town
Grand Cayman KY1-1106
Cayman Islands

**Hong Kong Branch Share Registrar
and Transfer Office**

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

China Merchants Bank
Room No. B1, 1st Floor, Anlian Plaza
No. 4018 Jintian Road
Futian District, Shenzhen, China

DBS Bank (Hong Kong) Limited
11th Floor, The Centre
99 Queen's Road Central
Hong Kong

Industrial and Commercial Bank of China
1st Floor, Shenzhou Bairuida Hotel
Long Ping Road, Huawei Base
Bantian, Longgang District
Shenzhen, China

Company Website Address

www.edensoft.com.cn^(Note)

Note: The information contained on the website does not form part of this prospectus.

REGULATORY OVERVIEW

Our business and operations in China are subject to laws and regulations of PRC. This section summarises the main relevant laws and regulations which impact the key aspects of the industry in which our business operates.

LAWS AND REGULATIONS RELATING TO SPECIAL SECURITY PRODUCTION

Pursuant to Administrative Measures for Testing and Selling License of Special Products Used for the Security of Computer Information Systems (《計算機信息系統安全專用產品檢測和銷售許可證管理辦法》), which took effect on 12 December 1997, the producers of the special hardware and software used to protect the security of computer information systems (the “**Special Security Production**”) shall, before their products come into the market, obtain selling licenses of Special Security Production (the “**Selling License**”). In accordance with the Regulations for Safety Protection of Computer Information Systems of PRC (《中華人民共和國計算機信息系統安全保護條例》) which was last amended on 8 January 2011 and The Ministry of Public Security’s Approval on Punishment of Units that Sell Computer Information System Security Special Products Without Selling License (《公安部關於對出售沒有申領銷售許可證的計算機信息系統安全專用產品的單位進行處罰問題的批復》) which took effect on 12 March 1999, those sell Special Security Production without Selling License may subject to a warning or a fine up to RMB15,000; in case there is illegal income, additional fine of 1 to 3 times of the illegal income may be imposed and the illegal income will be confiscated.

LAWS AND REGULATIONS RELATING TO CUSTOMS, IMPORT AND EXPORT

The Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), which took effect on 1 July 2004 and subsequently amended on 7 November 2016, and the Measures for the Filing and Registration of Foreign Trade Business Operators (《對外貿易經營者備案登記辦法》), which took effect on 1 July 2004 and subsequently amended on 18 August 2016, require that foreign trade operators who engage in the import or export of goods or technologies must register in accordance with the rules and obtain the Registration Form of Foreign Trade Business Operators. In case a foreign trade business operator fails to obtain the Registration Form of Foreign Trade Business Operators according to the rules, the customs shall not process its customs declaration and clearance for import and export.

In accordance with the PRC Customs Law (《中華人民共和國海關法》) which was amended on 28 December 2013 and last amended on 5 November 2017, the Regulations of the Regulation on the Administration over Import and Export of Goods of PRC (《中華人民共和國貨物進出口管理條例》) which took effect on 1 January 2002 and the Administrative Provisions of the Customs of the PRC on the Registration of Customs Declaration Entities (《中華人民共和國海關報關單位註冊登記管理規定》), which took effect on 13 March 2014 and was last amended on 1 July 2018, a consignee or consignor of imported/exported goods may make customs declaration itself, or entrust it to a customs declaration agent which has been registered with the Customs for making declaration. Consignees or consignors of imported/exported goods or customs declaration agents shall register with the Customs in accordance with laws.

LAWS AND REGULATIONS RELATING TO ADMINISTRATIVE MEASURES FOR THE LEASING OF COMMODITY HOUSING

Pursuant to the Administrative Measures for the Leasing of Commodity Housing (《商品房屋租賃管理辦法》) issued by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) on December 1, 2010, within 30 days after the execution of the housing lease contract, parties to the leasing of housing shall handle the registration and filing procedure of the leasing of housing at the departments in charge of construction (real estate) of the local governments. Parties to the leasing of housing may entrust in writing another party to handle the registration and filing procedure of the leasing. In the event that parties to the leasing of housing fail to handle the registration and filing procedure of the leasing of housing, the department in charge of construction (real estate) of the local government shall order rectification within a time limit. If rectification is not made within the time limit, a fine of less than RMB1,000 to individual and RMB1,000 to RMB10,000 to enterprise shall be imposed.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHT

Trademark Law

Pursuant to the Trademark Law of PRC (《中華人民共和國商標法》) which was last amended on 23 April 2019 and took effect on 1 November 2019, and the Implementation Rules of PRC Trademark Law (《中華人民共和國商標法實施條例》) which was last amended on 1 May 2014, a registered trademark means a trademark that has been approved by and registered with the trademark office, including goods trademarks, service trademarks, collective trademarks and certification trademarks. Twelve months prior to the expiration of the 10-year term, an applicant can renewed the application and reapply for trademark protection. A registered trademark is valid for 10 years commencing on the date of registration approval. For a registered trademark licensing, licensor should file the licensing of the licensed trademark with the trademark bureau, and the trademark bureau shall gazette the licensing, non-filing of the licensing of a trademark shall not be contested against a good faith third party. The following acts shall constitute infringement of the exclusive right to use a registered trademark: (1) using a trademark that is identical or similar to a registered trademark of the same type of commodities or similar commodities without a license from the registrant of that trademark; (2) selling commodities that infringe upon the exclusive right to use a registered trademark; (3) forging or manufacturing without authorisation the marks of a registered trademark, or selling marks of a registered trademark that are forged or manufactured without authorisation; (4) changing another party's registered trademark and putting the commodities with the changed trademark into the market without the consent of the holder of that trademark; or (5) other conduct that would hinder another party's exclusive right to use its registered trademark.

Patent Law

In accordance with the Patent Law of PRC (《中華人民共和國專利法》), which was last amended on 1 October 2009 and the Implementation Rules for the Implementation of the Patent Law of PRC (《中國人民共和國專利法實施細則》), which was last amended on 1 February 2010, patent is divided in to 3 categories, i.e., invention patent, design patent and utility model patent. The duration of invention patent right is 20 years, and the duration of design patent right and utility model patent right is 10 years, which all calculated from the date of filing. An individual or entity who uses patent without the license of the patent holder, counterfeits patent products or engages in patent infringement activities shall be held liable for compensation to the patent holder and may be imposed a fine, or even subject to criminal liabilities.

Computer Software Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》), which took effect on 1 June 1991, and last amended on 1 April 2010, copyright includes computer software, and the Copyright Protection Centre of China provide voluntary register system for copyright.

According to the Regulation on Computer Software Protection (《計算機軟件保護條例》), which took effect on 1 October 1991, and last amended on 1 March 2013, the software copyright shall exist from the date on which its development has been completed, and software copyright owner may register with the software registration institution recognized by the copyright administration department of the State Council.

Domain Names

In accordance with the Measures for the Administration of Internet Domain Names (《互聯網絡域名管理辦法》), which took effect on 1 November 2017 and the Implementation Rules on Registration of Domain Names for Chinese Internet Information Centre (《中國互聯網絡信息中心域名註冊實施細則》), which took effect on 29 May 2012 and the Measures on Dispute Resolution of National Domain Names for the Chinese Internet Information Center (《中國互聯網絡信息中心國家頂級域名爭議解決辦法》) and the Proceeding Rules on Dispute Resolution of National Domain Names for the Chinese Internet Information Centre (《中國互聯網絡信息中心國家頂級域名爭議解決程序規則》), which both took effect on 21 November 2014, domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

Laws and Regulations relating to Labour Protection

In accordance with the Labour Law of the PRC (《中華人民共和國勞動法》), which was last amended on 29 December 2018, and the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), which took effect on 1 July 2013, and the Implementation Regulation of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) which took effect on 18 September 2008, labour contracts in written form shall be executed to establish labour relationships between employers and employees. Employers shall establish and develop labour rules, regulations and systems according to the PRC laws to protect the rights and ensure the performance of duties of employees, and career development and training systems shall be established. Employers shall also set up and develop the labour safety and health system in strict compliance with the rules and standards of labour safety and sanitation of the PRC and provide education on labour safety and sanitation for the employees to prevent work-related accidents and occupational harm.

Laws and Regulations relating to Social Insurance and Housing Provident Fund

In accordance with the Law of Social Insurance of the PRC (《中華人民共和國社會保險法》) which took effect on 1 July 2011 was last amended on 29 December 2018, the Provisional Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) which was amended on 24 March 2019, the Decision of the State Council on the Establishment of Basic Medical Insurance System for Urban Workers (《國務院關於建立城鎮職工基本醫療保險制度的決定》) which took effect on 14 December 1998, the Decisions of the State Council on the Establishment of Unified System of Basic Retirement Insurance Fund for the Employees of Enterprises (《國務院關於建立統一的企業職工基本養老保險制度的決定》) which took effect on 16 July 1997, the Regulations of Insurance for Work-Related Injury (《工傷保險條例》) which was amended on 1 January 2011, the Regulations of Insurance for Unemployment (《失業保險條例》) which took effect on 22 January 1999, the Provisional Insurance Measures for Maternity of Employees (《企業職工生育保險試行辦法》) which took effect on 1 January 1995 and the Regulations on Management of Housing Provident Fund (《住房公

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積金管理條例》) which was amended on 24 March 2019, employers shall make payments of the basic medical insurance, basic retirement insurance, insurance for work-related injury, unemployment insurance, maternity insurance and housing provident fund for the employees.

If the employer fails to file the social insurance registration, the social insurance administration authority shall order it to make rectification within a prescribed time limit. If rectification is not made within the prescribed time limit, the employer will be imposed a fine. If the employer does not pay the full amount of the Social Insurance as scheduled, the social insurance collection institution shall order it to pay within a prescribed time limit together with a late fee. If the payment is not settled by the prescribed time limit, the employer will be imposed a fine. If the employer fails to file the housing provident fund, the housing provident fund administration center shall order the employer to pay up in a prescribed time limit, if the employer still fails to pay up within the prescribed time limit, the fund administration center may apply to the court for enforcement of the unpaid amount. For non-compliance relating to social insurance and housing provident fund during the Track Record Period, please refer to the paragraph headed “Business – Legal, Regulatory and Compliance Matters” in this prospectus.

According to the Reform Scheme of Tax Collection and Management System of State Tax and Local Tax (《國稅地稅徵管體制改革方案》) which took effect on 20 July 2018, the social insurance collection and management authority was to be transfer from the Ministry of Human Resources and Social Security to the State Administration of Taxation from January 1, 2019. On September 18, 2018, the general meeting of State Council announced that the policies for social insurance shall remain unchanged until the transfer of the authority for social insurance has been completed. On September 21, 2018, the Ministry of Human Resources and Social Security released an Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilization the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) and required that the policies for both the rate and basis of social insurance contributions shall remain unchanged until the reform on the transfer of the authority for social insurance has been completed. On November 16, 2018, the State Administration of Taxation released the Notice of Certain Measures on Further Supporting and Serving the Development of Private Economy (《關於實施進一步支援和服務民營經濟發展若干措施的通知》), which provided that the policy for social insurance shall remain stable and the State Administration of Taxation will pursue to lower the social insurance contribution rates with the relevant authorities, and ensure the overall burden of social insurance contribution on enterprises will be lowered.

LAWS AND REGULATIONS RELATING TO TAXATION

Corporate Income Tax

In accordance with the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and the Implementation Regulation for the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》)(collectively, the “**CIT Law**”) which took effect on 1 January 2008 and were last amended on 23 April 2019, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with the PRC laws, or that are established in accordance with the laws of foreign countries (region) but whose actual or *de facto* control entity is within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries (region) and whose actual administration is conducted outside the PRC, but (i) have entities or premises in China, or (ii) have no entities or premises in China but have income generated from China. According to the CIT Law, foreign invested enterprises in the PRC are subject to corporate income tax at a uniform rate of 25%. For a non-resident enterprise having no office or establishment inside China, or for a non-resident enterprise whose incomes have no actual connection to its institution or establishment inside China, a withholding tax of 10% will be levied for the income derived from China.

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In accordance with the Notice of the MOF and the SAT on Enterprise Income Tax Policies for Further Encouraging the Development of Software and IC Industries (《財政部、國家稅務總局關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知》)(the “**Notice**”) which took effect on 1 January, 2011, for eligible software enterprises within the PRC, upon identification, the enterprise income tax shall be exempted for the first and second year and shall be levied thereon at half of the statutory rate of 25% for the third through fifth year thereafter until the expiration of the preferential period which shall be calculated from the profit making year prior to 31 December, 2017. For key software enterprises under the national plan of the PRC (國家規劃佈局內重點軟件企業) that have not enjoyed the tax exemption preference of the current year, the enterprise income tax rate shall be levied at the reduced rate of 10%. Further, according to the Notice of the MOF, the State Administration of Taxation, the NDRC and the Ministry of Industry and Information Technology on Issues concerning Preferential Enterprise Income Tax Policies for the Software and Integrated Circuit Industries (《財政部、國家稅務總局、發展改革委、工業和信息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 took effect on 1 January 2015, the ratification for the software enterprises to enjoy the tax privileges has been canceled.

In accordance with the CIT Law and Regulation, a high-tech enterprise which has independent intellectual property rights and complies with the rules of corporate income tax and other relevant laws and regulations enjoys a reduced corporate income tax rate of 15%. The specific standards and procedures for the management of identification of high-tech enterprises are stipulated in the Measures for the Administration of the Certification of High-tech Enterprises (《高新技術企業認定管理辦法》) which was jointly issued by the Ministry of Science and Technology, the Ministry of Finance and the SAT on 14 April 2008, took retroactive effect on 1 January 2008 and amended on 29 January 2016, took retroactive effect on 1 January 2016.

Dividend Tax

Pursuant to the CIT Law, income from equity investment between qualified PRC resident enterprises such as dividends and bonuses, which refers to investment income derived by a resident enterprise from direct investment in another resident enterprise, is tax-exempt.

In addition, pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) which took effect in the PRC on 1 January 2007 and the Protocol V of it which came into effect on 31 December 2019, a the PRC resident enterprise which distributes dividends to its Hong Kong shareholders should pay income tax according to the PRC law, however, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds no less than 25% equity interests of the aforesaid enterprise (i.e. the dividend distributor), the tax levied shall be 5% of the distributed dividends.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) which took effect on 20 February 2009, all of the following requirements shall be satisfied in order to enjoy the preferential tax rates provided under the tax agreements: (i) the tax resident that receives dividends should be a company as provided in the tax agreement; (ii) the equity interests and voting shares of the PRC resident company directly owned by the tax resident reach the percentages specified in the tax agreement; and (iii) the equity interests of the Chinese resident company directly owned by such tax resident at any time during the twelve months prior to receiving the dividends reach a percentage specified in the tax agreement. On 3 February 2018, the State Administration of Taxation issued the Notice on Certain Issues regarding Beneficial Owner in Tax Treaties (《關於稅收協定中“受益所有人”有關問題的公告》)(the “**Circular 9**”) which took effect on 1 April 2018 provides clearer guidelines and adopts comprehensive assessment approaches when determining whether a company can be qualified as Beneficial Owner, so as to enjoy the preferential tax rate on dividends.

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Pursuant to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (《非居民納稅人享受稅收協定待遇管理辦法》) which was last amended on 15 June 2018, a non-resident taxpayer qualified to enjoy the treatment under the tax treaties could enjoy the treatment automatically when filing tax return or making withholding declaration by withholding agents, and will be subject to the administration of the tax authorities thereafter.

Pursuant to Notice on the Applicable Scope of the Policy of Temporary Exemption of Withholding Taxes on the Direct Investment Made by Overseas Investors with Distributed Profits (《關於擴大境外投資者以分配利潤直接投資暫不徵收預提所得稅政策適用範圍的通知》) which took effect on 1 January 2018, where the profits distributed by a resident enterprise within the territory of China to an overseas investor are directly invested in an investment project which is not in the prohibited category and is in conformity with the specified conditions, the project shall be governed by the deferred tax payment policy and be temporarily exempt from withholding income tax.

Value-added Tax

According to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) which took effect on 1 January 2009, and last amended on 19 November 2017, and the Provisional Implementation Rules of the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) which was last amended on 1 November 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC shall pay value-added tax. According to the Circular on Comprehensively Promoting the Pilot Program of the Collection of VAT in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》), which took effect on 1 May 2016, the pilot practice of levying VAT in lieu of business tax was extended nationwide to the sale of services, intangible assets or property.

The Notice of the MOF and SAT on VAT Policies Applicable to Software Products (《財政部、國家稅務總局關於軟件產品增值稅政策的通知》), which took effect on 1 January 2011, provides that after the levy of VAT on software products self-developed and self-produced by general VAT taxpayers at the statutory rate of 17%, the part with the actual VAT burden exceeding 3% may enjoy the “immediate refund of VAT levied” policy. According to the Circular of the MOF and SAT on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) which took effect on 1 May 2018, where a taxpayer engages in a taxable sales activity for the VAT purpose or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10% respectively.

Urban Maintenance and Construction Tax as well as Education Surtax

In accordance with the Provisional Provisions on the Collection of Educational Surtax (《徵收教育費附加的暫行規定》), which was last amended on 8 January 2011, all entities and individuals who pay consumption tax, value-added tax and business tax shall also be required to pay educational surtax. The educational surtax rate is 3% of the amount of value-added tax, business tax and consumption tax actually paid by each entity or individual, and the educational surtax shall be paid simultaneously with value-added tax, business tax and consumption tax. In accordance with the Provisional Regulations on Urban Maintenance and Construction Tax of the PRC (《中華人民共和國城市維護建設稅暫行條例》) which was last amended on 8 January 2011 and Circular of the State Administration of Taxation on Issues Concerning the Collection of the Urban Maintenance and Construction Tax (《國家稅務總局關於城市維護建設稅徵收問題的通知》), which took effect on 12 March 1994, any entity or individual liable to consumption tax, value-added tax and business tax shall also be required to pay urban maintenance and construction tax. Payment of urban maintenance and construction tax shall be based on the consumption tax, value added tax and business tax which a taxpayer actually pays and shall be made

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simultaneously when the latter are paid. The rates of urban maintenance and construction tax shall be 7%, 5% and 1% for a taxpayer in a city, in a county town or town and in a place other than a city, county town or town respectively.

Laws and Regulations relating to Foreign Investment

According to the Provisions Guiding the Direction of Foreign Investment (《指導外商投資方向規定》), which took effect on 1 April 2002, industries in the PRC are classified into four categories: “permitted foreign investment industries”, “encouraged foreign investment industries”, “restricted foreign investment industries” and “prohibited foreign investment industries”. “Encouraged foreign investment industries”, “restricted foreign investment industries” and “prohibited foreign investment industries” are stipulated in the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》)(the “**Catalogue**”). Industries which do not fall in any of these three categories are regarded as “permitted foreign investment industries”. The Catalogue is promulgated and is amended by the National Development and Reform Commission (the “**NDRC**”) and the Ministry of Commerce of the People’s Republic of China (the “**MOFCOM**”). The List of Special Management Measures for the Market Entry of Foreign Investment (《外商投資准入特別管理措施(負面清單)》)(the “**Negative List**”), which was last amended on 30 July 2019 by the NDRC and the MOFCOM, sets forth management measures for the market entry of foreign investors, such as equity requirements and senior manager requirements. According to the Negative List, foreign investors shall comply with such restrictive requirements when engaging in the restricted activities listed in the Negative List. Our Group currently provides integrated IT solution and cloud services in the PRC, which do not fall into the Negative List.

Establishment of Foreign Invested Enterprise

An enterprise which establishes, operates and manages within the Chinese territory is subject to PRC Corporation Law (《中華人民共和國公司法》)(the “**Corporation Law**”). Corporation law is also applicable to foreign investment company, while where there are other special laws relating to foreign investment, such laws shall prevail.

The procedures for the establishment of wholly foreign-owned company, verification, registration and approval procedures, registered capital requirements, foreign exchange restrictions, accounting practices, taxation and labor matters are subject to the Law on Wholly Foreign-owned Enterprises of PRC (《中華人民共和國外資企業法》), which was last amended on 1 October 2016 and the Implementation Regulations for Law on Wholly Foreign-owned Enterprises of PRC (《中華人民共和國外資企業法實施細則》), which was last amended on 1 March 2014 and Provisional Administration Measures for the Registration of the Formation and Changes of Foreign Invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) which was last amended on 30 June 2018.

Foreign Investment Law of the PRC (《中華人民共和國外商投資法》)(the “**Foreign Investment Law**”) took effect on 1 January 2020, which replaced the Wholly Foreign-owned Enterprises Law of the PRC (《中華人民共和國外資企業法》). The State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on 1 January 2020, replaced the Detailed Rules for the Implementation of Wholly Foreign-owned Enterprises Law of the PRC (《中華人民共和國外資企業法實施細則》).

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On 30 December 2019, the MOFCOM and the State Administration for Market Regulation issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on 1 January 2020 and replaced the Provisional Administration Measures for the Registration of the Formation and Changes of Foreign Invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), and thus for foreign investors carrying out investment activities directly or indirectly in China, instead of filing formalities, foreign investors shall report their foreign investment information to the commerce authorities since 1 January 2020.

Laws and Regulations Relating to Foreign Exchange

In accordance with the Foreign Exchange Administrative Regulations of PRC (《中華人民共和國外匯管理條例》)(the “**Foreign Exchange Administrative Regulations**”) which last amended on 5 August 2008, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless prior approval/registration of the State Administration of Foreign Exchange is obtained.

In accordance with the Administration Rule on the Settlement and Sale of and Payment in Foreign Exchange (《結匯、售匯及付匯管理規定》), which took effect on 1 July 1996, a foreign invested enterprise is allowed to process the settlement and sale of and payment in foreign exchange for capital account items after submitting valid commercial documents and getting approval from State Administration of Foreign Exchange. According to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》), which took effect on 1 June 2015, certain of the aforementioned approval rights of the State Administration of Foreign Exchange are authorised to designated banks.

Pursuant to the Circular of the State Administration of Foreign Exchange on Reforming the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals 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》) which took effect on 1 June 2015, and the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) which took effect on 9 June 2016, whose main business is investment, are allowed to make equity investment in PRC using the Renminbi funds converted from its registered capital. Meanwhile, the use of such Renminbi funds converted cannot be:

- directly or indirectly used for the payment beyond the business scope of the enterprises or any payment prohibited by national laws and regulations;
- unless otherwise provided by laws and regulations, directly or indirectly used or investment in securities or other financial products investment (except the bank capital-protection products);
- granting loans to non-related enterprises unless permitted under the scope of business; or
- for construction or purchase of real estate not for self-use, save for real estate enterprises.

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In addition, foreign invested enterprises are allowed to settle foreign exchange capitals on a discretionary basis; the foreign invested enterprises may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). For the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis. The State Administration of Foreign Exchange may adjust the foregoing percentage as appropriate based on prevailing international balance of payments.

In accordance with the “Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles” (《國家外匯管理局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》), a “special purpose vehicle” means an overseas enterprise directly established or indirectly controlled by a domestic resident (including domestic institutions and domestic individual residents) for the purpose of engaging in investment and financing with the domestic enterprise assets or interests he legally holds, or with the overseas assets or interests he legally holds. Domestic residents establishing or taking control of a special purpose vehicle abroad which makes round-trip investments in PRC are required to file foreign exchange registration with the local foreign exchange bureau. According to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》), the initial foreign exchange registration for establishing or taking control of a special purpose company by domestic residents can be filed with a designated bank, instead of the local foreign exchange bureau.

Laws and Regulations Relating to Dividend Distribution

The principal law governing dividend distributions by our PRC Subsidiaries is the Corporation Law, the dividend distribution by wholly foreign-owned enterprises (“WFOE”) and Sino-foreign equity joint ventures (“EJV”) are further governed by Foreign Investment Law and its implementation regulation. According to above laws and regulations, Chinese companies (including foreign-owned enterprises and Sino-foreign equity joint ventures) may only pay dividends based on the accumulated profits calculated in accordance with PRC accounting principles.

In addition, in accordance with Corporation Law, when a company distributes their after-tax profits for a given year, they shall allocate 10% of profits to their statutory common reserve. Companies shall no longer be required to make allocations to their statutory common reserve once the aggregate amount of such reserve exceeds 50% of their registered capital. If a company’s statutory common reserve is insufficient to make up its losses of the previous years, such losses shall be made up from the profit for the current year prior to making allocations to the statutory common reserve pursuant to the preceding paragraph. Such reserved cash cannot be distributed as cash dividends. In addition, in accordance with PRC Law on Sino-foreign Equity Joint Ventures, the net profits of a joint venture shall be distributed to the parties to the venture in proportion to their respective shares in the registered capital after paying joint venture income tax in accordance with the tax laws of PRC and after making deductions for the reserve fund, the employee bonus and welfare fund, and the venture development fund as stipulated in the articles of association of the joint venture.

M&A Rules

In accordance with the Rules on the Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》)(the “**M&A Rules**”) which was promulgated by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation of PRC, the State Administration for Industry and Commerce of PRC, China Securities Regulatory Commission and the State Administration of Foreign Exchange of PRC, which took effect on 8 September 2006 and was subsequently amended on 22 June 2009 by the MOFCOM, a foreign investor was required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchase and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from Ministry of Commerce of PRC is required. According to the then effective Provisional Administration Measures for the Registration of the Formation and Changes of Foreign Invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) and the M&A Rules, whereby the acquisition of domestic enterprises by foreign investor, which do not engage in the foreign restricted or prohibited industries and the acquisition do not fall in the Article 11 of the M&A Rules, is no longer subject to approval, instead, a filing requirement applies.

Before our wholly foreign-owned enterprise’s acquisition of all the shares of our PRC Subsidiary, our PRC Subsidiary is a sino-foreign equity joint venture, does not belong to “domestic companies” based on M&A Rules. Therefore, the M&A Rules does not apply to the acquisition of all the shares of our PRC Subsidiary by the wholly foreign-owned enterprise, and no approval from the Ministry of Commerce or the China Securities Regulatory Commission is needed.

Policies relating to COV Epidemic

In order to strengthen prevention and control of the pneumonia outbreak caused by COV, on 27 January 2020, the General Office of the State Council issued the Notice on Extending the 2020 Spring Festival Holiday (《關於延長2020年春節假期的通知》), which requires the 2020 Spring Festival Holiday be extended to 2 February 2020. On 28 January 2020, the People’s Government of Guangdong Province issued the Notice on the Resumption of Work for Enterprises and the Opening Time for Schools (《關於企業復工和學校開學時間的通知》), which requires that all types of enterprises within the governed administrative jurisdictions shall not resume to work earlier than 24:00 on 9 February 2020, except those in the sectors that are essential for ensuring the functioning of the city and country, essential for epidemic prevention and control, essential for ensuring the supply of daily necessities to the public, or other relevant enterprises that are closely linked to important national or public interests, supply to Hong Kong and Macau as well as those enterprises in urgent need of resumption under special circumstances.

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In response to the COV's impact on enterprises, on 7 February 2020, Shenzhen Municipal People's Government issued the Circular of Shenzhen Municipal People's Government on Issuing Several Measures to Support the Enterprises to Bridge Over Difficulties In Response to the Novel Coronavirus Epidemic (《深圳市人民政府關於印發應對新型冠狀病毒感染的肺炎疫情支援企業共渡難關若干措施的通知》) (“the Circular”), which is valid until 31 December 2020, unless it is otherwise provided. The Circular provides the policy support and subsidies for the key enterprises fighting against the epidemic and a series of policy support for the enterprises affected by the epidemic, which include: (i) the rent charged to non-state-owned enterprises, scientific research institutions, medical institutions and individual businesses by municipal and district governments and state-owned enterprises owned by municipal and district governments who own such premises shall be exempted for two months, and non-state-owned enterprises or families (individuals) who rent public rental housing and talent housing at the city and district levels are exempted from two months of rent; (ii) the employers who fail to pay the social insurance contribution on time are allowed to postpone the payment to three months after the end of the epidemic, during which no overdue fine will be charged; (iii) the enterprises affected by the epidemic and having difficulties in paying the housing provident fund may apply for reduction of the proportion of the housing provident fund to at least 3% with a period of no more than 12 months according to the law; or apply for delaying the payment of the housing provident fund with a period of no more than 12 months; (iv) in case of failure to file tax returns within the prescribed period due to the impact of the epidemic, the enterprise may apply to the tax department for an extension of filling up to three months; (v) for the enterprises joining the social insurance scheme, 50% of the actual amounts of unemployment insurance premiums they made in the previous year may be refunded, provided that they do not layoff employees or reduce employees on a small scale during the epidemic prevention and control period. For the enterprises joining the social insurance scheme and having difficulties in operation but insist on not laying off employees or not reducing employees on a small scale, 25% of the social insurance premiums paid by the enterprise and its employees in the previous year shall be refunded; and (vi) relevant policy support and subsidies shall be given in enterprise financing. We believe the abovementioned measures would mitigate the impact of the epidemic on the enterprise's operation.

According to the Contract Law of the People's Republic of China (《中華人民共和國合同法》) implemented on 1 October 1999, force majeure refers to objective conditions that are unforeseeable, unavoidable and insurmountable. If the purpose of the contract cannot be achieved due to force majeure, the parties may terminate the contract. If the contract is unable to be performed due to force majeure, the liabilities shall be exempted in part or in whole in light of the effects of the force majeure, unless otherwise provided by law. In August 2009, the Interpretation of Contract Law of the People's Republic of China (《中華人民共和國合同法釋義》) prepared by the working committee of the law of the National People's Congress proposed that the occurrence of force majeure may have a great or small impact on the performance of the contract, sometimes it only temporarily affects the performance of the contract, and the purpose of the contract can be achieved through the delay of performance, for which the legal right of rescission cannot be exercised. Only when the purpose of the contract cannot be realized due to force majeure can the parties terminate the contract. On 9 February 2020, Higher People's Court of Guangdong Province issued the Notice on Trying Civil and administrative Cases during the Period of Prevention and Control of Coronavirus According to the Law (《廣東省高級人民法院關於依法審理新冠肺炎疫情防控期間民事行政案件的通告》), which states that where the contracts for sale, leasing, tourism, accommodation, catering, transportation, etc. cannot be performed due to the outbreak of epidemic and the emergency measures for preventing and controlling the epidemic, or the performance of the contract will have a significant impact on the rights and interests of one party, the contract may be terminated or changed in accordance with the agreement between the contractual parties; if no agreement is reached, both parties shall be encouraged and supported to settle the dispute through consultation, and the economic losses shall be reasonably shared in accordance with the principle of fairness.

REGULATORY OVERVIEW

According to the Notice on Further Streamlining the Examination and Approval, Optimizing Services, Accurately and Steadily Promoting the Production Resumption and Work Resumption of Enterprises (《關於進一步精簡審批優化服務精準穩妥推進企業復工復產的通知》) issued by the General Office of the State Council on 3 March 2020, except for Hubei Province and Beijing, low risk areas shall not delay the commencement of production by means of examination and approval or filing. And the provincial governments in the middle and high risk areas shall, in accordance with the principle of minimum and necessity, formulate and announce the conditions for the resumption of work and production in the whole province. After the enterprise takes anti-epidemic measures according to the provisions, meets the conditions for the resumption of work and production, submits the record information or commitment letter, it can organize the resumption of work and production. In principle, non-epidemic prevention and control key areas shall not restrict the travel of returning workers. The input area is no longer required to carry out isolation observation for persons who hold a health certificate issued by the output area (not a key area for epidemic prevention and control) and arrive on a specific point-to-point means of transportation.

INDUSTRY OVERVIEW

The information and statistics in this section, unless otherwise indicated, are derived from various private and official governmental publications, publicly available sources and the Industry Report, a market research report prepared by Frost & Sullivan and commissioned by our Group. We believe that the sources of the information in this section are appropriate sources for such information, 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 or that any fact has been omitted that would render such information false or misleading. The information prepared by Frost & Sullivan and set out in this section has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters or any other party involved in the Share Offer and they do not give any representations as to its accuracy or correctness and accordingly it should not be relied upon in making, or refraining from making, any investment decision.

SOURCE AND RELIABILITY OF INFORMATION

Our Group commissioned Frost & Sullivan, an independent market research company, to conduct an analysis of, and to produce a report on, the IT services market study in China for use in this prospectus. Frost & Sullivan is an independent global consulting firm founded in 1961, and offers industry research, market strategies and provides growth consulting and corporate training on a variety of industries. The information from Frost & Sullivan disclosed in this prospectus is extracted from the Industry Report, a report commissioned by us for a fee of RMB500,000 and is disclosed with the consent of Frost & Sullivan.

The Industry Report was undertaken through both primary and secondary research obtained from various sources. Primary research included interviews with industry experts and participants in the IT services market in China. Secondary research involved reviewing the statistics published by the government official statistics, industry publications, annual reports and data based on Frost & Sullivan's own database. Frost & Sullivan also adopted the following primary assumptions while making projections on the macroeconomic environment and IT services market in China:

- Chinese economy is expected to grow at a steady rate supported by favourable government policies as well as global economic recovery, among other factors; and
- The social, economic and political environment of China is likely to remain stable during the forecast period, which will ensure a sustainable and steady development of the IT services market in China.

OVERVIEW OF MACROECONOMIC ENVIRONMENT IN CHINA

Nominal GDP and Nominal GDP per Capita

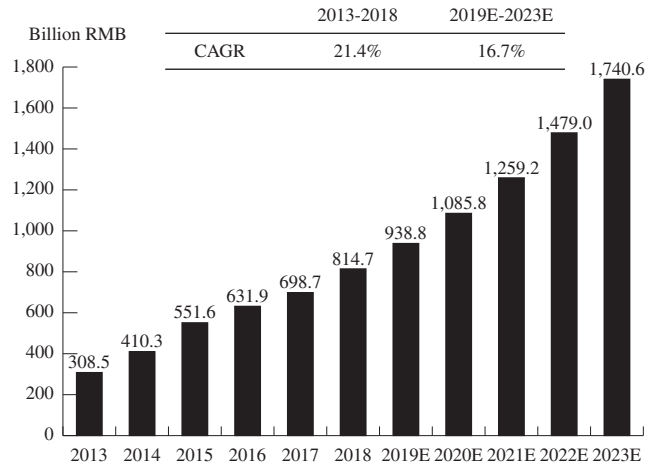
The economy in China witnessed a stable growth from 2013 to 2018. Nominal GDP in China grew from RMB59.7 trillion in 2013 to RMB88.7 trillion in 2018, representing a CAGR of 8.2%. In the past five years, nominal GDP in China has maintained a solid growth driven by strong domestic demand for goods and services and the stimulus policies taken by the PRC government. Due to the outbreak of COV, the 2020 GDP growth rate is expected to decline to 5.6%. Therefore, the nominal GDP in China is anticipated to show a CAGR of 7.7% from 2019 to 2023, reaching RMB133.0 trillion in 2023. With the structural adjustment encouraged by the PRC government, Chinese economy is expected to transfer from an investment-driven model to a consumption-driven model, stimulating the sound growth of the economy till 2023.

Fixed Assets Investment in Information Transmission, Computer Services and Software Sector

Fixed assets investment in information transmission, computer services and software sector increased from RMB308.5 billion in 2013 to RMB814.7 billion in 2018 at a CAGR of 21.4%, attributed to supportive policies of PRC government and increasing market demand on the IT services. The relatively high CAGR of 2013 to 2018 was mainly driven by the massive investments made in 2014 and 2015 on the construction of IT infrastructure. With the integration of IT and stimulus policies in making IT services industry as one of the seven strategic industries, the IT services industry of China has become an important engine to promote the industrial upgrading and economic growth. It is expected that fixed assets investment in this sector will grow steadily to reach RMB1,740.6 billion in 2023, representing a CAGR of 16.7% from 2019.

INDUSTRY OVERVIEW

Fixed Assets Investment in Information Transmission, Computer Services and Software Sector (China), 2013-2023E



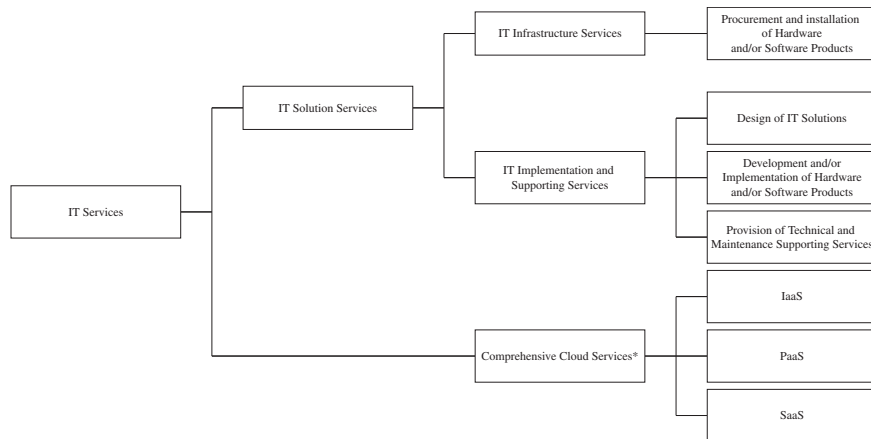
Source: National Bureau of Statistics of China, Frost & Sullivan

Note: 1) According to National Bureau of Statistics of China, information transmission, computer services and software sector includes three divisions, namely telecom and other information transfer services, internet related services and IT services; 2) The latest available figure recorded in 2018.

OVERVIEW OF IT SERVICES MARKET IN CHINA

Introduction

In general, IT services mainly comprise of IT infrastructure services, IT implementation and supporting services and cloud services. More recently, the remarkable development of cloud computing has further stimulated the rapid growth of IT services market. Cloud computing generally refers to the delivery of hosted services over the internet, which enables network access to a shared pool of computing resources including networks, servers, storage, applications and services. The models of comprehensive cloud services can be generally and simply divided into three types, namely IaaS, PaaS and SaaS.



* Our Group has only provided PaaS and SaaS services among all the three models of comprehensive cloud services during the Track Record Period.

Source: Frost & Sullivan

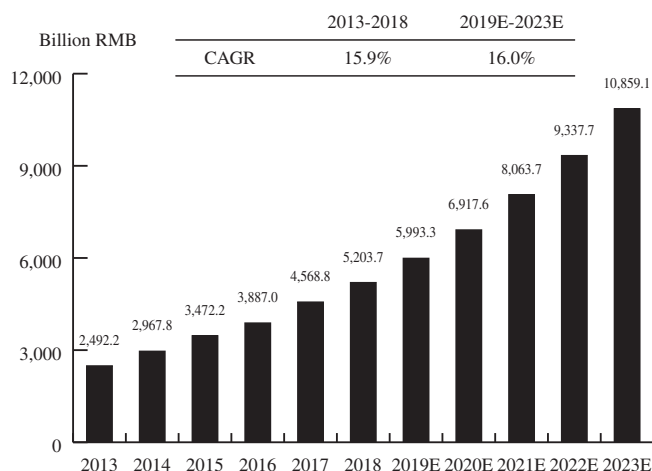
Market Size of IT Services Market in China

From 2013 to 2018, IT services market in China has experienced continuous growth, attributed to industrial and economic transformation in China including but not limited to proliferation of cloud computing, data analytics and sustained expenditure in R&D. From 2013 to 2018, the market size of IT services industry in China has increased from RMB2,492.2 billion to RMB5,203.7 billion, representing a CAGR of 15.9%.

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As the PRC government is targeting a 13% annual growth in the IT services industry between 2016 to 2020, and a higher growth rate driven by the application of new technologies such as 5G from 2020 to 2023, it is expected the market size of IT services industry in China will continue to expand with a CAGR of 16.0% from 2019 and reach RMB10,859.1 billion by the end of 2023.

Market Size of IT Services in China (by Revenue), 2013-2023E



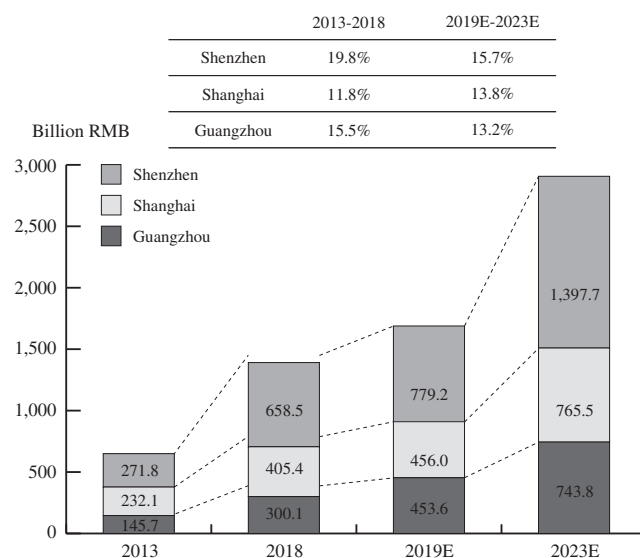
Source: Ministry of Industry and Information Technology of the People's Republic of China, State Council of the PRC, Frost & Sullivan

Market Size of IT Services Market in Selected Cities in China

The IT services market in Shenzhen has experienced a rapid growth from RMB271.8 billion in 2013 to RMB658.5 billion in 2018, at a CAGR of 19.8%. With the strengthening efforts in enhancing R&D in IT services, the overall market in Shenzhen is expected to reach RMB1,397.7 billion in 2023 with a CAGR of 15.7% from 2019.

The IT services markets in Shanghai and Guangzhou have been growing at CAGRs of 11.8% and 15.5% from 2013 to 2018, respectively. The sophisticated markets and continuing technological development of Shanghai and Guangzhou are the drivers for their corresponding IT services markets and it is expected that IT services markets in Shanghai and Guangzhou will continue to grow at CAGRs of 13.8% and 13.2% from 2019 to 2023, respectively.

Market Size of IT Services in Selected Cities in China (by Revenue), 2013-2023E



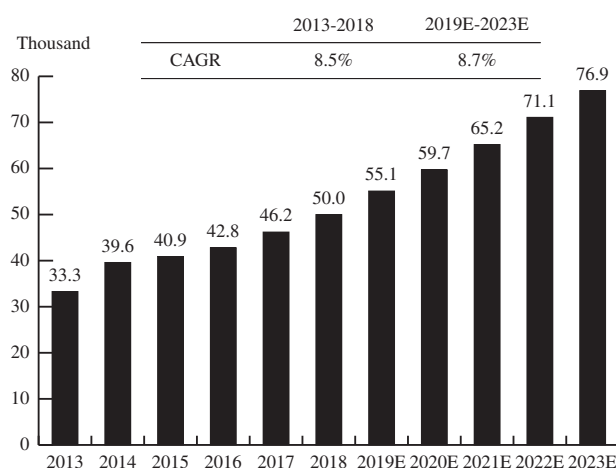
Source: Ministry of Industry and Information Technology of the People's Republic of China, State Council of the PRC, Frost & Sullivan

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Number of IT Services Enterprises in China

During the past five years, number of IT services enterprises above designated size in China increased from 33.3 thousand in 2013 to 50.0 thousand in 2018, representing a CAGR of 8.5%, attributed to supportive policies of the PRC government and increasing market demand on IT services in China. It is expected that number of IT services enterprises above designated size in China will maintain the tendency of growth to reach 76.9 thousand in the year of 2023 at a CAGR of 8.7% from 2019.

Number of IT Services Enterprises Above Designated Size (China), 2013-2023E



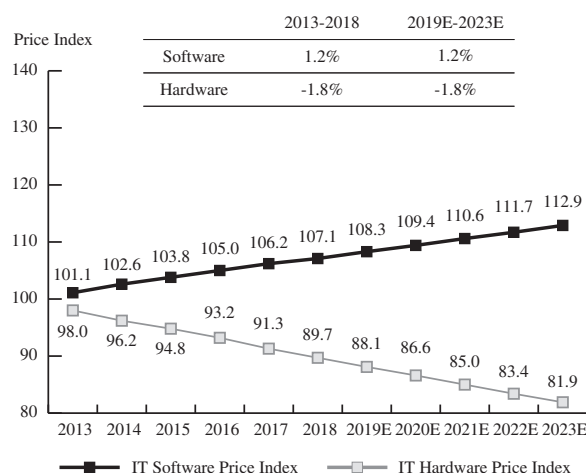
Note: Enterprises above designated size is a statistical term used in China referring to IT enterprises with an annual operating revenue of RMB1 million or more. Figures are based on categorisation criteria for enterprises above designated size in 2013. With amendments of criteria in 2015, official number of IT services enterprises in 2018 recorded 37,776, which differs from 50.0 thousand as stated in the graph.

Source: Ministry of Industry and Information Technology of the People's Republic of China, Frost & Sullivan

Price Analysis of IT Software and Hardware of IT Services Market

IT software price index in China has recorded a slight growth from 2013 to 2018 due to the rising adoption of cloud technology by both public and private sector in China. On the other hand, the IT hardware price index in China has experienced a drop in the historical period due to the lowering manufacturing cost of IT hardware. It is expected that the IT software price index in China will continue to grow steadily from 2019 to 2023 as new technology drives the price of the software in the market whereas the IT hardware price index will continue on a downward trend.

Price Index of IT Software and Hardware of IT Services Market (China), 2013-2023E



Notes:

- The base year of this index is 2012 (i.e. 2012=100).

INDUSTRY OVERVIEW

- This index includes various factors, including unit prices, IT budgets from both the public and private sectors, and macro development of ICT industry. This index is only available for parallel comparison in a particular sector to show the development trend of product.
- The price indices above considered all software and hardware in the IT services including but not limited to all common enterprise software and hardware and also cloud-related software and hardware.

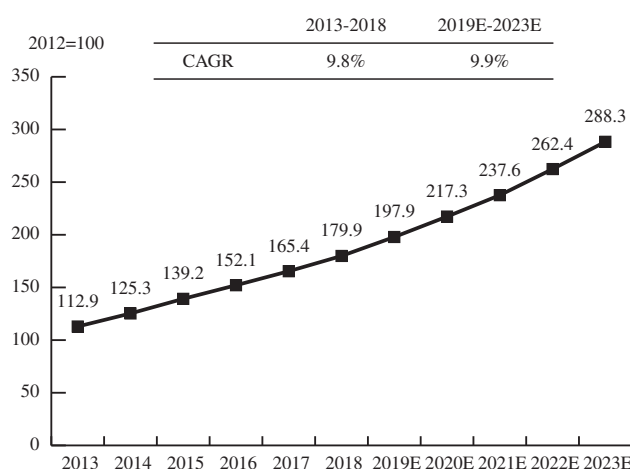
Source: Frost & Sullivan

Cost Analysis

From 2013 to 2018, attributed to the continuous growth of China's GDP and household income, and the rapid expansion of IT services industry in China, average wage of labour in urban area of information transmission, computer service and software sector increased steadily with a CAGR of approximately 9.8%, from 112.9 in 2013 to 179.9 in 2018.

In line with the development of IT services industry in the next five years, average wage of labour in urban area of information transmission, computer service and software sector will rise from 197.9 in 2019 to 288.3 in 2023, representing a CAGR of approximately 9.9%.

Index of Average Wage in Urban Area of Information Transmission, Computer Service and Software Sector, 2013-2023E



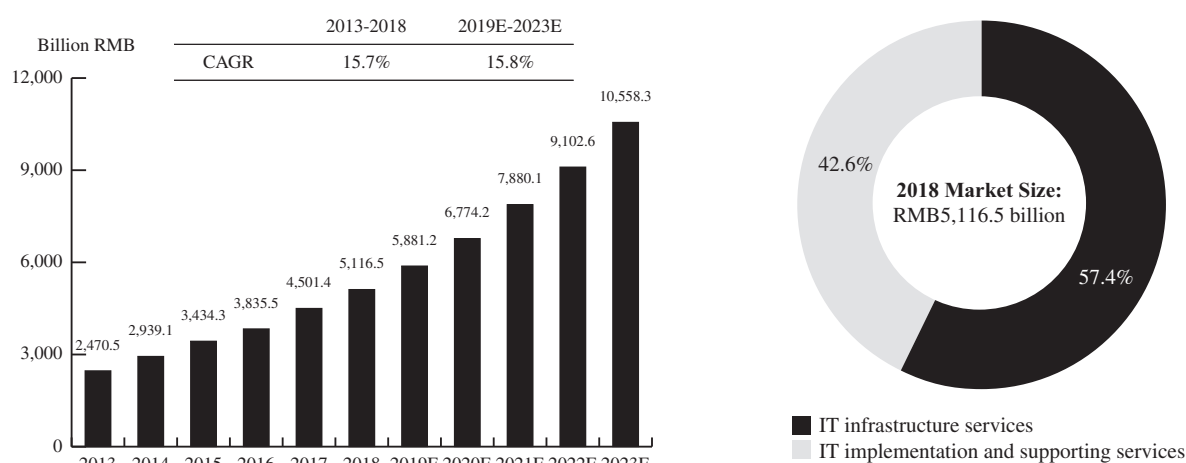
Source: National Bureau of Statistics of China, Frost & Sullivan

OVERVIEW OF IT SOLUTION SERVICES MARKET IN CHINA

IT solution services, being a major part of IT services industry in China, covers IT infrastructure services and IT implementation and supporting services, which can be further divided into five subsectors, including procurement of hardware and/or software products, installation of hardware and/or software, design of IT solutions, development and/or implementation of hardware and/or software products and provision of technical and maintenance supporting services.

From 2013 to 2018, IT solution services in China has experienced steady growth from RMB2,470.5 billion in 2013 to RMB5,116.5 billion in 2018, representing a CAGR of approximately 15.7%. Supported by the continuing rising demand and expected investment in IT solution services in the next five years, market size of IT solution services in China is expected to increase at a CAGR of approximately 15.8% from RMB5,881.2 billion in 2019 to RMB10,558.3 billion in 2023. In 2018, the IT infrastructure services contributed approximately 57.4% of the total IT solution services market in China in terms of revenue whereas the IT implementation and supporting services contributed 42.6%.

Market Size of IT solution services in China (by Revenue), 2013-2023E



Source: Frost & Sullivan

Market Drivers of IT Solution Services Market in China

Enhancement of cloud computing. Cloud computing has been included in the “13th Five-Year Plan” (《第十三个五年规划》) and Three Year Action Plan for Cloud Computing (2017-2019) (《云计算发展三年行动计划(2017-2019)》) released in 2016 and 2017, respectively, which is regarded as one of the most important strategic plans of PRC government during the corresponding periods. PRC government encourages the innovative development of cloud computing and the upgrade of IT infrastructure to support the wide-spread usage and application of cloud computing in the PRC. Meanwhile, some local IT services enterprises are cooperating with some international IT products vendors in the field of cloud computing to promote the development of cloud computing in the PRC. In addition, in the background of the revolution of global IT services industry, IT solution services industry in China will simultaneously enjoy stable growth in the coming years.

Rising market demand. The rapid economic growth and industrial and economic transformation in China have stimulated the development of all industries, which requires more advanced IT support from IT solution services providers, to improve working efficiency and optimise business process for various downstream industries. The rising demand for IT implementation and supporting services is driving the growth for corresponding products, which will in turn support the continuous development of IT solution services market in China.

Support from PRC government. In recent years, the PRC government has enacted many favourable policies to support rapid and stable development of IT solution services industry. For example, the State Council has released Several Policies on Encouraging the Development of the Software Industry and Integrated Circuit Industry (《关于鼓励软件产业和集成电路产业发展的若干政策的通知》) and a further circular on the same issue in 2010 and 2011, respectively, which boosted the growth of IT solution services afterwards. In addition, in 2013, State Council issued Notice on the Strategy and Implementation Plan of “Broadband China” (《“宽带中国”战略及实施方案》), which supports the construction and improvement of infrastructure for IT solution services industry.

Market Constraints of IT Solution Services Market in China

The shortage of technicians. The development of the IT solution services industry requires highly qualified technicians who master the operation and/or maintenance skills of the major products and/or services in the industry and are proficient in, among others, the IT system, business process and business model of the downstream industries of IT solution services industry. Insufficient supply of such technicians will lead to difficulty in meeting the ever-expanding market demand and the requirements for delivering high-quality services to enterprises, which would in turn affect the service quality and lead to unsatisfaction of customers, restricting the further development of the industry.

Insufficient innovation capacity. Services provided by most of the IT solution services providers are highly dependent on the products and services of IT products vendors. These IT solution services providers usually have relatively low technological level, and are lack of sufficient professional knowledge in dealing with complex IT systems and IT environment which are built by multi-brand heterogeneous infrastructures provided by different IT products vendors. Furthermore, their lack of independent innovation capability cannot provide customised services based on customers’ demands, which will also in turn constrain the future development of the industry.

Market Trend of IT Solution Services Market in China

Customised IT solution services. At present, the IT solution services provided for companies in the same industry are highly homogeneous. However, each company is different in many aspects, such as financial conditions and strategic positioning. Therefore, standardised IT solution services may not be suitable for all enterprises and customised IT solution services are expected to be the trend of IT services market in the future. With the promotion of customised IT services, the utilisation of IT solution services will be optimised.

Intelligence, visualisation and automation. Due to coexistence of cloud and traditional architecture in various enterprises, it is forecasted that the IT systems will be developed accordingly to match the trend of the development of intelligence, visualisation and automation in the industry. Intelligent operations and maintenance services independently locate problems by the predictive analysis model without any manual work. Visualisation operation and maintenance services provide users with an efficient, consistent, transparent and user-friendly services. Currently, some enterprises have been investing in visualising cloud infrastructure to improve efficiency in issue identification and communication.

Higher penetration of IT integration. Nowadays, integrated IT products and services have become important supporting tools for enterprises. Together with technical improvement, the penetration of IT integration in traditional industries such as beverage industry, automotive industry and modern service industry will increase. Meanwhile, IT integration, as a link, can accelerate the integration of different related industries and provide more creative dynamism.

OVERVIEW OF CLOUD SERVICES MARKET* IN CHINA

Introduction

Comprehensive cloud services, based on cloud computing, comprise of IaaS, PaaS and SaaS. It enables customers to acquire resources (e.g. servers, subscriptions and other applications) in an efficient and effective manner. PaaS comprises cloud computing model in which a third-party provider delivers hardware and/or software tools and hosts the hardware and/or software for the end-users and software cloud platform that provides platform featured functionalities for the end-users. SaaS is a software licensing and delivery model in which software is usually licensed on a subscription basis and is centrally hosted.

Public cloud vendors offer a range of IT services and resources accessible to any consumers who subscribe for the service. The users only pay for the services they need and therefore the initial set up fee is usually lower as compared to private cloud. The users are often attracted by the scalability and flexibility of public cloud. On the other hand, private cloud vendors offer a pool of resources which are assigned exclusively to a business or an organisation which could be on-premise or off-premise. Private cloud offers a higher degree of data security and control over resources and capability as compared to public cloud.

Value Chain Analysis for Cloud Services in China

The upstream of the industry chain refers to software, hardware and/or component providers. The midstream of the industry chain includes various cloud service providers that offer delivery models for multiple business applications. The downstream includes clients from all kinds of industries, such as manufacturing, energy, financial and insurance.

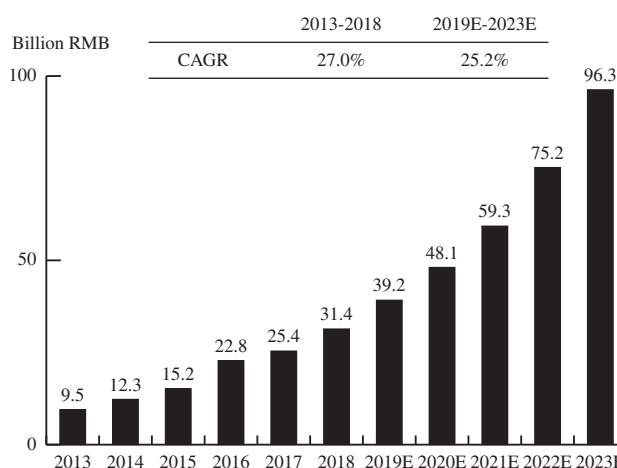
Market Size of Cloud Services Market in China

The demand of enterprises informatisation has remarkably increased, and markets of all related fields have grown prosperously. From 2013 to 2018, the market size of enterprise cloud services grew rapidly, increased from RMB9.5 billion to RMB31.4 billion with a CAGR of 27.0%.

With the rapid development in related technologies such as IoT and artificial intelligence (AI), along with the fast upgrade of IT infrastructure, the cloud services market will continue to be in the fast track of development. The market size is expected to grow to RMB96.3 billion in 2023, from RMB39.2 billion in 2019, with a CAGR of 25.2%. The lower forecasted CAGR compared to the one during the past five years is mainly due to a rising number of market participants, lowering product and service prices in competition for larger market share.

* To align with the terminology used in this prospectus, cloud service in this section represents enterprise cloud service with consideration of PaaS and SaaS services only.

Cloud Services Market* (China), 2013-2023E



* considered only PaaS and SaaS service

Source: Frost & Sullivan

Market Drivers for Cloud Services Market in China

Constant maturity of cloud computing. Cloud computing industry in China has maintained a high CAGR of more than 30% during 2013 to 2018. The market acceptance of cloud computing continues to improve and players in various segments of the industry continue to increase. The ecological circle is gradually improving and the industry chain is growing. Furthermore, as China is in the period of industrial and economic transformation, market participants of the cloud services market are encouraged to keep innovating and learning, which will bring great opportunities to the market.

Deeper technology reserve. From the development of computer storage devices to the increasing speed of network to the maturity of distributed technology, the innovation of various technologies as the underlying support system has promoted the formation and commercialisation of the mode for technological basic services for cloud services. After decades of exploration and practice, the key technologies of parallel computing, distributed computing, virtualisation, open source cloud platform, etc. have basically reached larger commercial conditions.

Restraints of Cloud Service Market in China

Insufficient information security. Due to the high concentration of information resources in cloud services market, there are still shortcomings in information security technology, such as data protection, terminal protection, risk management of virtual environment, etc. As virtualisation is the fundamental technology that powers cloud computing, if the main virtualisation technology is destroyed, all of the clients' servers managed by the virtual machine will fail, and a large number of end-users will be affected which is fatal. In addition, in order to ensure that the data stored in the cloud service provider will not be leaked or illegally utilised, it needs not only further development of technology, but also further improvement of relevant legal systems.

Single product form and low entry barriers. At present, cloud services enterprises in China generally provide service for small and medium-sized enterprises, the service module is single with high degree of standardisation, and they are not able to provide customised service for different industries and different scenarios. The single product form resulted in low entry barriers and thus, large number of market participants focus on price competition rather than developing the products channels with capital investment. In the long run it could lead to vicious competition in the market.

Weak concept of intellectual property. Cloud services are typical knowledge-intensive products, which are difficult to develop, yet easy to be duplicated. Piracy will not only reduce the willingness of enterprises to pay and affect the revenue of service suppliers, but also aggravate the security problem, posing a negative impact on service suppliers. China's current intellectual property concept is weak. How to protect the independent intellectual property not only needs the enterprises to strengthen the related consciousness, but also needs further improvement of the relevant legal systems.

Market Trend for Cloud Services in China

More customised and more specialised. On the one hand, the cloud services market is expanding, more customers are attracted to this industry, on the other hand, customers are making different requests. Because customers are scattered in various industries with severe competition and they need to be industry oriented in order to be more competitive, which pushes the cloud services market to provide more customised service to meet customers' needs. Therefore, the cloud services market will be more customised and specialised in the coming years.

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More technology-intensive. Cloud service helps increase the operation efficiency of the enterprises with advanced technologies and products like cloud computing, information management system, AI, etc. Besides, in the background of the improvement of big data analytics and upgrading of business models based on data programs, technologies get great modification. As a result, cloud services market will absorb more technologies and become more advanced and intelligent.

More projects from small and medium enterprises (SMEs). China enjoys a great number of conglomerates as well as SMEs. With the industrial transformation, enhancing digitalisation for a company is increasingly essential. Besides the strong demand from conglomerates, there is an increasing number of SMEs demanding cloud services to improve their operation and management efficiency in recent years, which is expected to drive the growth of cloud services market in China in the future.

Market Overview of SaaS and IaaS in China

SaaS is a software licensing and delivery model in which software is usually licensed on a subscription basis and is centrally hosted. SaaS primarily uses the internet to deliver licensed cloud-based software and applications which are managed by a third-party vendor and allow access from the clients. The SaaS market in China has recorded a rapid growth from RMB2.3 billion in 2013 to RMB11.3 billion in 2018 at a CAGR of 37.5%. At present, the SaaS market in China is highly competitive and fragmented with market players of internet giants, traditional software companies and other cloud service providers etc. where SaaS products has been serving a wide variety of industries including but not limited to finance, sales, collaborative office, production, procurement and many others.

IaaS, also known as cloud infrastructure services, allows users to access, monitor, and manage remote assets to compute or store data. IaaS users are able to manage applications, data, runtime, middleware, and operating systems. IaaS vendors manage a number of services including virtualisation, servers, hard drives, storage, and networking. The IaaS market in China is currently at a developing stage and in a period of rapid development. Underpinned by the favourable government policies and market environment, the IaaS market in China has surged from RMB4.9 billion in 2013 to RMB23.5 billion in 2018 at a CAGR of 36.8%. The market is highly competitive and fragmented with market players of various sizes and background including internet data centre (IDC) service providers, internet giants such as Alibaba, Tencent, Baidu etc., telecom operators, cloud services providers and a larger number of other specialised cloud services providers. The integrated cloud computing service vendors tend to offer comprehensive IaaS services offerings, including cloud hosting, cloud storage, CDN, analytics, security etc. Such services providers often tend to have relatively strong financial strength and a deep product research and development team, and are committed to satisfying the needs of one-stop service for enterprise users through a more complete product system.

COMPETITIVE LANDSCAPE OF IT SERVICES MARKET IN CHINA

Overview of Competition of IT Services Market in China

As of 2018, there are a total number of over 30,000 companies in the IT services with revenue of RMB500 million or above throughout China. With the large number of market participants in the industry, the overall IT services market is considered to be highly competitive and fragmented. The top players in the market are primarily Chinese multinational conglomerates which offer technology-based products and services covering all or most of the sectors and applications. With smaller scale and less resources, smaller market players tend to focus their resources on a particular segment in the supply chain and often become one of the subcontractors for the major market players in the industry.

Underpinned by the strong development of IT services industry in China, around 30% of the top 100 IT services enterprises have recorded annual growth rates exceeding 20% in 2018. Among the top 100 IT services enterprises, 13 of which has received revenue over RMB10 billion in 2018 as compared to 9 and 7 in 2017 and 2016 respectively whereas the number of IT services enterprises with revenue of RMB5 billion to 10 billion in 2018 have also increased to 21, as compared to 18 and 13 in 2017 and 2016. Such trend has indicated that the top players are establishing market dominance in the IT services industry and are able to capitalise the emerging industry trend of cloud computing and big data service in China.

In 2018, there are 15 central cities and municipalities with an annual revenue of RMB100 billion in IT services industry which aggregated to a total of RMB4.1 trillion in the market, accounting for over 78.3% of the entire PRC market. Shenzhen is the largest city in China in IT services market with a revenue of RMB658.5 billion in 2018, which accounted for 12.7% of the entire PRC market. The IT services industry in Shenzhen is highly fragmented with over 3,000 medium-to-small sized services providers in the region. The IT services market competitiveness in Guangdong and Shanghai have been driven by their sophisticated market and continuing technological development and it is expected that IT services market in Guangdong and Shanghai will continue to grow at CAGRs of 13.2% and 13.8% from 2019 to 2023 respectively.

INDUSTRY OVERVIEW

Overview of Competition of IT Solution Market in China

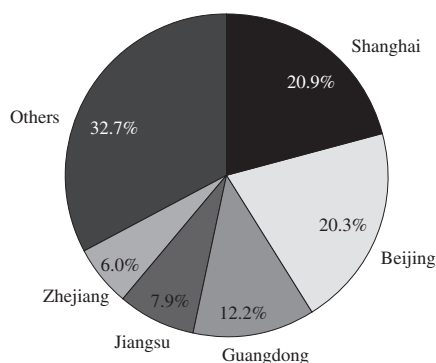
The overall market of IT hardware and software procurement and IT implementation and supporting services is considered to be highly competitive and fragmented with a large number of market players of various scales and industry specialisation across various regions in China. The market players are competed over price, products and services portfolios and reputation. Larger IT services providers in China who specialise in IT implementation and supporting services often offer complimentary procurement of hardware and software products. They often enjoy the benefit of economies of scale in the local market in terms of cost advantages and gaining brand reputation. As Supplier A does not usually provides maintenance or procurement service to customers directly, Supplier A has engaged in over 17,000 partners (including partnership and action plan subscription, silver and gold certified partnership, LSP etc.) distributing products and offering services of Supplier A and over 400,000 authorised software developers for IT solution and cloud services of Supplier A in 2018.

Overview of Competition of Cloud Services Market in China

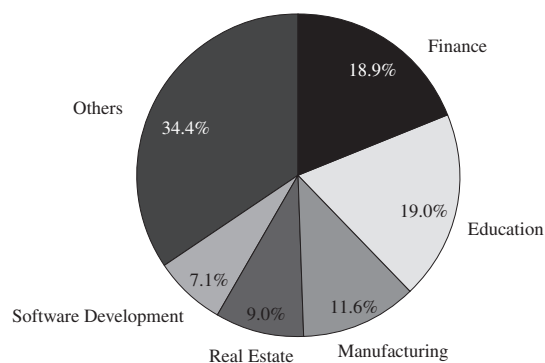
As the cloud services market is still at the developing stage, the overall market is highly fragmented with no distinguished market leading enterprises at the moment. The major players in the market based on revenue in 2018 are primarily multinational computer technology corporations listed in Hong Kong, the PRC, the U.S. and Europe who enjoy the first mover advantage and economies of scale in the PRC market. Smaller players in the industry tend to specialise in certain aspects such as information security, cloud migration and location-based services, so as to develop a competitive edge and gain market share.

Featured with well-developed cloud infrastructure, local economy and technology level, Eastern and Southern China are the key regions for the application of cloud services in 2018. The top five regions, including Shanghai, Beijing, Guangdong, Jiangsu and Zhejiang, accounted for 67.3% of the overall cloud service market in China in 2018. Major downstream clients of the cloud service market in China are concentrated in five industries, namely finance, education, manufacturing, real estate and software development, taking up a share of 65.6% of cloud service market in China in 2018. Cloud services providers offer various types of products and services, participate in different market segments and provide a range of cloud solutions for different levels of downstream industries. Major applications of cloud services in China include administrative management, production management and quality control.

Breakdown of Enterprise Cloud Service Market by Region (China), 2018



Breakdown of Enterprise Cloud Service Market by Downstream Industry (China), 2018



Source: Frost & Sullivan

Overview of Partnership Programme of Supplier A in the Fields of (i) Hardware and (ii) Software and Cloud

IT services market participants in China distributing products of Supplier A or providing authorised services are required to join the partner network of Supplier A. IT services providers intending to sell laptop devices and accessories as part of their overall customer solution offering are required to register as authorised device reseller, and those who provide software related products and services are required to join the following partnership programme. General structure of partnership programme includes Partnership and Action Plan Subscription, Silver Certified Partnership, Gold Certified Partnership, LSP.

INDUSTRY OVERVIEW

Structure of Partnership Programme of Supplier A



Note: Supplier A is a leading U.S. based global computer software provider.

Source: Frost & Sullivan

There are currently approximately 20 IT services providers in China appointed as LSP of Supplier A. Our Group ranked 1st in terms of estimated revenue of LSP in Southern China and ranked 5th among all the LSPs in China in 2018. The headquarters of the LSPs are primarily located in major cities of China, such as Beijing, Shanghai, Guangzhou, Hangzhou and Shenzhen.

Top 5 Ranking of Microsoft LSP in China, 2018

Rank	Company	Company Profile	Head-quartered	Listed	Geographical Coverage	Estimated revenue as LSP (RMB million)
1	LSP A	LSP A is headquartered in Shanghai, with 5 subsidiaries and 2 regional offices across China offering IT services to government institutions and domestic and foreign-funded enterprises and customers.	Shanghai	Shanghai Stock Exchange	National	70 – 100
2	LSP B	LSP B offers software management services locally or remotely, in the data center or in a multi-cloud environment.	Shanghai	Private	Northern China	70 – 100
3	LSP C	LSP C is a leading integrated IT services provider in China offering enterprise IT services to multi-national corporations and local enterprises in China.	Beijing	Shenzhen Stock Exchange	Northern China	40 – 70
4	LSP D	LSP D is a IT services enterprise that integrates public cloud/private cloud/hybrid cloud services and IT infrastructure and security services, and enterprise advanced technical services for enterprises in China.	Beijing	Shanghai Stock Exchange	Northern China	40 – 70
5	Our Group	Our Group	Shenzhen	Private	Southern China	20 – 40

Note: Geographical coverage refers to locations of major clients.

Impact of COV

There has been an outbreak of the COV across the PRC, Hong Kong and other countries since December 2019. The outbreak of the COV is expected to bring a short-term impact to the global economy. Due to the epidemic, a large number of workers are not able to work on a full scale at the moment due to the travel restrictions across cities in the PRC or imposition of isolation measures by the central government of the PRC. However, the outbreak of COV is expected to bring limited impacts on the PRC's IT services industry in the long run due to the fact that (i) the demand for IT services will unlikely be affected as most of the corporations in the PRC have gradually resumed their business operations; (ii) the nature of the IT products and services such as software and cloud services can be provided to the targeted customers without physical contacts or transportation; and (iii) there is a growing demand from companies, especially for those in the medical and education sectors, for enhanced IT solutions and cloud based products and/or services to support their business and/or administrative operations using online resources (such as video conference system and remote access software tools) in order to avoid spread of disease through physical contacts and inconveniences caused by the disrupted transportation, closure of offices, suspension of public facilities and certain isolated areas.

The State Council extended the Chinese New Year holidays to 2 February 2020, and most of the local governments have further postponed resuming work till 10 February 2020. The large-scale postponed resuming work will adversely affect the economy in the PRC. The epidemic has gradually improved in the PRC as the number of newly reported cases of COV kept decreasing outside Hubei province since around late February 2020. As enterprises gradually restart business operations and employees resume working, our customers' business or office operation are expected to gradually resume starting from around mid-March 2020.

HISTORY AND REORGANISATION

INTRODUCTION

We are principally engaged in providing integrated IT solution and cloud services in the PRC. For details of our business and operation during the Track Record Period and up to the Latest Practicable Date, please refer to the section headed “Business” in this prospectus.

The history of our Group can be traced back to 2002 when our founder, Ms. Ding, a Controlling Shareholder, an executive Director and the chairman of the Board, together with her elder brother, Mr. MG Ding, established one of our major operating subsidiaries, Eden Information. Under the leadership of Ms. Ding, our Group has undergone the development and achieved the business milestones as detailed below in this section. For details of the experience and knowledge of Ms. Ding, please refer to the section headed “Directors and Senior Management” in this prospectus.

BUSINESS MILESTONES

The following table sets forth the business milestones of our Group:

Year		Milestones
2002	–	Eden Information was established in the PRC on 21 November 2002
2006	–	Eden Information first became the Gold Certified Partner* (金牌認證合作夥伴) of Supplier A in April 2006
2007	–	Eden Information was accredited with the High and New Technology Enterprise Certificate* (高新技術企業認定證書) in September 2007 by the Technology and Information Bureau of Shenzhen Municipal* (深圳市科技和信息局)
	–	Eden Information was admitted as a member of the Shenzhen Copyright Society in September 2007
2009	–	Customer A first placed its order with Eden Information for procuring the supply of products and services from Supplier A in May 2009
2010	–	Eden Information first became a direct large account reseller (which was subsequently renamed as LSP) of Supplier A in September 2010 when Eden Information was granted rights to resell certain licensed products and services of Supplier A to its customers
2013	–	Dongguan Edensoft was established in the PRC on 11 October 2013
2016	–	Eden Information was quoted on the NEEQ in March 2016 in the name of Eden Information Service Co. Ltd.* (深圳市伊登軟件股份有限公司)(stock code: 836441)
2017	–	Our quality management system was certified to be in compliance with the standards as required under ISO 9001:2015 in June 2017
2018	–	Our Company was incorporated in the Cayman Islands on 4 September 2018
	–	Eden Information Service Co. Ltd.* (深圳市伊登軟件股份有限公司) was delisted on the NEEQ in October 2018

HISTORY AND REORGANISATION

Year		Milestones
2019	–	We obtained ISO/IEC 27001:2013 (IT security management activities relating to the computer application software development services and maintenance services for software and hardware operation of computer information system) and ISO/IEC 20000-1:2011 (maintenance services for software and hardware operation of computer information system) in September 2019

OUR MAJOR OPERATING SUBSIDIARIES

Details of our major operating subsidiaries and their respective corporate history prior to the Reorganisation are set out below:

EDEN INFORMATION

Eden Information was established in the PRC on 21 November 2002 with a registered capital of RMB1,000,000, out of which RMB900,000 (90%) was owned by Ms. Ding and RMB100,000 (10%) was owned by Mr. MG Ding on establishment. Eden Information has been principally engaged in providing integrated IT solution and cloud services in the PRC since its establishment.

On 22 November 2004, Ms. Ding and Mr. MG Ding resolved to increase the registered capital of Eden Information from RMB1,000,000 to RMB5,000,000 (out of which 90% of RMB4,500,000 was contributed by Ms. Ding and 10% of RMB500,000 was contributed by Mr. MG Ding). On 25 December 2008, Ms. Ding and Mr. MG Ding transferred their respective 36% and 4% equity interests in Eden Information to SysTime, at the consideration of RMB1,800,000 and RMB200,000, which was determined with reference to the capital contribution made by Ms. Ding and Mr. MG Ding. After the transfers, Eden Information was owned as to 54% by Ms. Ding, 40% by SysTime and 6% by Mr. MG Ding. On 15 April 2010, Ms. Ding, SysTime and Mr. MG Ding resolved to further increase its registered capital from RMB5,000,000 to RMB10,000,000 with the shareholding of Eden Information remained unchanged thereafter. On 29 March 2011, SysTime transferred its 36% and 4%, total 40%, equity interests in Eden Information back to Ms. Ding and Mr. MG Ding, at the consideration of RMB2,160,000 and RMB240,000, respectively, determined with reference to the then paid up capital of Eden Information of RMB6,000,000. After the transfer of the equity interests, Ms. Ding and Mr. MG Ding paid the balance of the agreed capital contribution in place of SysTime and the total registered capital of RMB10,000,000 was fully paid up on 13 April 2011. Accordingly, Eden Information was owned as to 90% by Ms. Ding and 10% by Mr. MG Ding.

On 3 July 2015, Ms. Ding and Mr. MG Ding entered into capital increase agreement with Qiankun Investment, pursuant to which the registered capital of Eden Information was increased from RMB10,000,000 to RMB12,903,226 (out of which RMB2,903,226 was contributed by Qiankun Investment). Qiankun Investment is a limited partnership established on 3 June 2015 with an agreed capital contribution of RMB4,500,000, of which, 90% was held by Ms. Ding as the general partner and 10% was held by Mr. Yang Yonghai (楊永海), an employee of Eden Information, as the limited partner upon establishment. The purpose of setting up Qiankun Investment was for investment holding of Eden Information. Ms. Ding has been the general partner and executive partner of Qiankun Investment since the establishment of Qiankun Investment. Being the general partner and executive partner, Ms. Ding is responsible for execution and decision making of all the matters in relation to Qiankun Investment, including but not limited to the decision as to whom would be the qualified individual appropriate to join the partnership, the percentage of the partnership, the amount of investment injected by each partner as well as the power to sign documents on behalf of other partners in Qiankun Investment. Upon completion of the increase, Eden Information was owned as to 69.75%, 22.50% and 7.75% by Ms. Ding, Qiankun Investment and Mr. MG Ding, respectively.

HISTORY AND REORGANISATION

On 12 July 2015, the registered capital of Eden Information was further increased from RMB12,903,226 to RMB13,193,483 (out of which RMB171,515 was contributed by Mr. Chen Zhen (陳振), an Independent Third Party, and RMB118,742 was contributed by Mr. HG Ding (another elder brother of Ms. Ding)). The increase of the registered capital of Eden Information had been paid up in July 2015. Upon completion of the increase, Eden Information was owned as to approximately 68.22%, 22%, 7.58%, 1.30% and 0.90% by Ms. Ding, Qiankun Investment, Mr. MG Ding, Mr. Chen Zhen and Mr. HG Ding, respectively. On 15 October 2015, Eden Information was converted into a joint-stock company from a limited liability company, when Eden Information had an issued share capital of RMB13,193,483 divided into 13,193,483 shares which were owned as to approximately 68.22%, 22%, 7.58%, 1.30% and 0.90% by Ms. Ding, Qiankun Investment, Mr. MG Ding, Mr. Chen Zhen and Mr. HG Ding, respectively.

On 10 March 2016, 13,193,483 shares, being the entire issued share capital of Eden Information was listed on the NEEQ (stock code: 836441) in the name of Eden Information Service Co. Ltd.* (深圳市伊登軟件股份有限公司). On 17 May 2018, a budget of distribution of profits was approved on the basis that each of the then shareholders holding 10 shares would be entitled to 13 bonus shares. Consequently, Eden Information allotted and issued a total of further 17,151,528 shares credited as fully paid at par value to the then shareholders on the register of members of Eden Information. Accordingly, the issued share capital of Eden Information increased from RMB13,193,483 to RMB30,345,010. Given the shares of Eden Information did not have transactions on the NEEQ, the shareholders of Eden Information resolved to delist from the NEEQ in September 2018 for its future needs to raise funds for its operation and development plans. The shares of Eden Information were ceased to be listed on the NEEQ on 11 October 2018. As there was no trading of the shares of Eden Information during the period when Eden Information was listed on the NEEQ, no share price of Eden Information on the NEEQ could be quoted but no privatisation offer was made in connection with the delisting. Our Directors confirm that, to the best of their knowledge and belief, Eden Information had been in compliance with all applicable PRC securities laws and regulations as well as rules and regulations of the NEEQ in all material respects, and had not been subject to any disciplinary action by the relevant regulators, during the period when the shares of Eden Information were listed on the NEEQ and up to the 11 October 2018 when it was delisted. Further, nothing has come to the Sole Sponsor's attention that there is (i) any breach or suspected breach of the rules or regulations of the NEEQ or any relevant law enforcement authority or regulator against, our Group or its directors, since the quotation of Eden Information on the NEEQ; and (ii) any other matter in relation to the previous quotation of Eden Information on the NEEQ that may be relevant to the assessment of our Company's application for the Listing.

After the delisting of Eden Information from the NEEQ, it was resolved that Eden Information was changed from a joint-stock company to a limited liability company. Despite the change, the registered capital of Eden Information remained at RMB30,345,010 and the percentages of the then shareholders remained unchanged.

Subsequently, Mr. MG Ding, Mr. Chen Zhen and Mr. HG Ding transferred their respective approximately 7.58%, 1.30% and 0.90% of their shareholdings in Eden Information to Ms. Ding at consideration of RMB3,632,463, RMB623,022 and RMB431,327 respectively, on 25 October 2018. The considerations for the transfers were determined with reference to the valuated net asset value of Eden Information as of 31 August 2018 of approximately RMB47.8 million performed by an independent valuer. According to the valuation report prepared by the valuer in September 2018, the valuer adopted the asset-based approach and considered the market value of the assets and liabilities of Eden Information as at 31 August 2018. The sale of their interests in

HISTORY AND REORGANISATION

Eden Information by Mr. MG Ding, Mr. Chen Zhen and Mr. HG Ding were made after their respective arms-length negotiations with Ms. Ding and the parties agreed to adopt valuated net asset value of Eden Information as the basis of determining the considerations because (i) the valuated net asset value assessed by the independent valuer was the latest available financial information of Eden Information available to the parties at the date of the transfers; (ii) neither Mr. MG Ding, Mr. Chen Zhen nor Mr. HG Ding were involved in the management of Eden Information; (iii) all of Mr. MG Ding, Mr. Chen Zhen and Mr. HG Ding decided to realise their investments in Eden Information when Eden Information was delisted from the NEEQ and the sale would lead them to take their profits from their investments and would save them from being locked up in a limited liability company as minority shareholders. As compared with the basis of determination with reference to the paid up capital of Eden Information as adopted by them in their acquisitions, Mr. MG Ding, Mr. Chen Zhen and Mr. HG Ding considered the determination of the considerations with reference to the valuated net asset value of Eden Information in their sale were fair and reasonable as they had respectively gained approximately RMB2.63 million, RMB0.30 million and RMB0.21 million from their transfers when compared with the costs of their acquisitions. Upon completion of the transfers, Eden Information was held as to approximately 78% by Ms. Ding and 22% by Qiankun Investment.

DONGGUAN EDENSOFT

Dongguan Edensoft was established in the PRC on 11 October 2013 with a registered capital of RMB500,000, which was held as to 70% by Mr. MG Ding and 30% by Mr. Xiao Hui (肖輝), an independent third party. The principal business of Dongguan Edensoft is sale of software, information technology and cloud services.

On 23 March 2015, Mr. MG Ding and Eden Information entered into equity transfer agreement, pursuant to which Mr. MG Ding transferred his 70% equity interests in Dongguan Edensoft to Eden Information, at the consideration of RMB350,000 determined with reference to the capital contribution made by Mr. MG Ding. After the transfer of equity interests, Dongguan Edensoft was owned as to 70% by Eden Information and 30% by Mr. Xiao Hui. On 12 June 2015, Eden Information and Mr. Xiao Hui resolved to increase the registered capital of Dongguan Edensoft from RMB500,000 to RMB10,000,000 (out of which RMB8,100,000 was contributed by Eden Information and RMB1,900,000 was contributed by Mr. Xiao Hui). After the increase of registered capital, Dongguan Edensoft was owned as to 81% by Eden Information and 19% by Mr. Xiao Hui. Amongst the registered capital of Dongguan Edensoft, RMB1,850,000 and RMB310,000 were paid-up by Eden Information and Mr. Xiao Hui respectively on 10 July 2015 whereas the remaining of RMB6,250,000 and RMB1,590,000 were agreed to be paid by 30 June 2017.

On 18 June 2017, Mr. Xiao Hui and Eden Information entered into a shareholder agreement for transfer of capital contribution, pursuant to which Mr. Xiao Hui transferred his 19% equity interests and his agreed capital contribution of RMB1,900,000 in Dongguan Edensoft to Eden Information, at the consideration of RMB237,333 determined with reference to the audited net asset value of Dongguan Edensoft as of 31 December 2016 of approximately RMB1.25 million. After the transfer, Dongguan Edensoft became a direct wholly-owned subsidiary of Eden Information on 7 July 2017 and the payment of the agreed registered capital of Dongguan Edensoft was resolved to extend to before 30 June 2038.

HISTORY AND REORGANISATION

DISPOSED AND DISSOLVED ENTITIES PRIOR TO THE REORGANISATION

During the Track Record Period and prior to the Reorganisation, the following subsidiaries of Eden Information were either disposed or dissolved with a view to streamline the group structure and focus on our core business and brand portfolio:

Voluntary dissolution of Junmanyi

Junmanyi was established in the PRC on 2 June 2006. The principal business of Junmanyi was sales of computer software products as well as R&D of computer hardware and software. Upon establishment, Junmanyi had a registered capital of RMB1,000,000 and RMB500,000 had been paid up as to 49% by Ms. Peng, one of our executive Directors, and 51% by Ms. Dong Xiaobo (董晓波), an Independent Third Party. On 30 October 2007, 19% and 51% of the paid up capital of Junmanyi were transferred to Eden Information at respective considerations of RMB95,000 and RMB255,000, which were determined with reference to the paid up capital made by Ms. Peng and Ms. Dong Xiaobo respectively. As a result, Junmanyi was owned as to 70% by Eden Information and 30% by Ms. Peng, respectively. The intention of investment in Junmanyi by Eden Information was to expand our sales and marketing networks as well as to strengthen our senior management team with the joining of Ms. Peng. Upon consolidating the customers and services/products of Junmanyi into our Group, Junmanyi ceased operation and was voluntarily dissolved on 8 April 2016. Based on the financial statements of Junmanyi prepared for the purpose of dissolution, Junmanyi had a net profit of approximately RMB8,400 as at 31 July 2015. Given the application for dissolution of Junmanyi was resolved in June 2015 and Junmanyi did not have any operation since then, all assets and liabilities of Junmanyi had been disposed of before the Track Record Period. As there was no reported financial information of Junmanyi from the commencement of the Track Record Period up to the date of its dissolution, its financial results had no impact on the audited consolidated financial statements of our Group.

During the Track Record Period and up to the date of dissolution of Junmanyi, Junmanyi did not have any material non-compliance and was not involved in any material litigation that will affect the suitability of our executive Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability for listing of our Company under Rule 8.04 of the Listing Rules.

Disposal of equity interests in SysTime

SysTime was established in the PRC on 16 February 2007 with a registered capital of RMB5,000,000, of which 80% was contributed by Ms. Ding and 20% by Mr. MG Ding. The intention of establishment of SysTime was to provide IT technical training services with a view to recruit suitable candidates for serving our Group after completion of their training. On 24 January 2009, Ms. Ding and Mr. MG Ding transferred 48% and 12% of their registered capital in SysTime to Eden Information at a consideration of RMB2,400,000 and RMB600,000 respectively with reference to the registered capital of SysTime. Eden Information had been recording a loss since 2013. However, with a view that SysTime could provide ancillary support on training for Eden Information, on 24 June 2015, Eden Information further acquired 32% and 8% of Ms. Ding and Mr. MG Ding's registered capital in SysTime at a consideration of RMB1,600,000 and RMB400,000 respectively with reference to the registered capital of SysTime. After the above acquisition, SysTime became directly wholly-owned by Eden Information.

HISTORY AND REORGANISATION

Given SysTime had begun to record net liabilities starting from 2016, Eden Information decided to invite Mr. Hu Chenhui (胡晨輝), an Independent Third Party, to invest in and join SysTime. Mr. Hu was introduced to Ms. Ding through their common business acquaintance. Mr. Hu was a product manager of one of the largest global IT corporations and had interest to develop his own business of providing IT training. In order to utilise the funding and expertise of Mr. Hu to improve the financial condition of SysTime, on 13 July 2016, Eden Information resolved to transfer 49% of the registered capital in SysTime to Mr. Hu at a consideration of RMB1 which was based on the audited net liabilities of approximately RMB3.91 million as at 30 June 2016. Mr. Hu was also appointed as the legal representative and general manager of SysTime in August 2016 to look after the daily operation of SysTime. With the joining of and in the management of Mr. Hu, Eden Information then expected SysTime could become profitable. Hence, Eden Information and Mr. Hu provided funding in the amount of RMB599,760 and RMB576,240 through capital injection, respectively to SysTime on 23 September 2016.

Despite the funding provided by Eden Information and Mr. Hu in September 2016 as well as the change of management of SysTime to Mr. Hu in August 2016, SysTime continued to record an audited net liabilities of approximately RMB1.33 million as at 31 December 2016 and Eden Information was of the view that it would be more commercially viable to recruit currently available qualified persons to serve our Group rather than to spend further time and investment in SysTime on training. Therefore, Eden Information decided to transfer its remaining 51% interests in SysTime to Mr. Hu at a consideration of RMB1 in March 2017 with reference to the audited net liabilities of SysTime as at 31 December 2016. In preparing the historical financial information for the purpose of the Listing, SysTime recorded a net asset of approximately RMB1.1 million as at the date of disposal in the historical financial information. Therefore, we recorded a loss of approximately RMB0.56 million from the disposal of its interests in SysTime. For further details, please refer to note 32 (Disposal of Subsidiaries) of the Accountants' Report set out in Appendix I to this prospectus.

After the transfer, Eden Information ceased to have any interest in SysTime and SysTime ceased to be a subsidiary of Eden Information.

During the Track Record Period and up to the date of transfer of SysTime, SysTime did not have any material non-compliance and was not involved in any material litigation that will affect the suitability of our executive Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability for listing of our Company under Rule 8.04 of the Listing Rules.

Disposal of equity interests in Guangzhou Edensoft

Guangzhou Edensoft was established in the PRC on 19 September 2007 with a registered capital of RMB2,290,910, owned as to 60% by Eden Information and 40% by Mr. Liu Jingwei (劉景偉), a previous employee of Eden Information and the legal representative, sole director and general manager of Guangzhou Edensoft. Guangzhou Edensoft was engaged in the businesses of providing IT infrastructure services, IT implementation and support services. Upon commencement of the Track Record Period, Guangzhou Edensoft was owned as to 66% by Eden Information and the remaining 34% by Mr. Liu.

HISTORY AND REORGANISATION

Eden Information planned to concentrate the business of Guangzhou Edensoft on IT implementation and supporting service as well as cloud service, so it proposed to Mr. Liu of increasing funds for investing into the planned concentrated business. Mr. Liu however was not willing to provide further funds, thus, no consensus could be reached on the future business development and investment of Guangzhou Edensoft. On the one hand, Eden Information, being an owner of 66% equity interests, did not have absolute controlling rights in deciding all material matters of Guangzhou Edensoft. On the other hand, as Mr. Liu owned 34% equity interests in Guangzhou Edensoft, he had a right to veto any amendments in the articles of association of Guangzhou Edensoft which include the revision of its scope of business. Having considered (i) the dissensus with Mr. Liu on the future business development and investment of Guangzhou Edensoft; (ii) the veto rights of Mr. Liu owing to its shareholdings as described above; and (iii) the fact that Mr. Liu was the sole director of Guangzhou Edensoft at the relevant time as risk factors and thus these have posed significant obstacle and uncertainty for them to achieve their business expansion plan as mentioned above in a timely manner, Eden Information decided to dispose of its entire 66% interests in Guangzhou Edensoft to Mr. Liu. Mr. Liu however concerned about certain provisions of the PRC Companies Law which provided to the effect that where a limited company has a sole shareholder, the sole shareholder will have to bear all consequential liabilities of the company if the sole shareholder cannot prove that the assets of the company are independent from his own. Mr. Liu therefore requested Eden Information to transfer 59.4% out of the 66% interests to him and the remaining 6.6% to a then employee of Guangzhou Edensoft, Ms. Chen Chan (陳嬋). Eden Information did not have objection to Mr. Liu's request. Therefore, on 18 September 2017, Eden Information transferred its 66% interests in Guangzhou Edensoft to Mr. Liu (as to 59.4%) and Ms. Chen Chan (陳嬋) (as to 6.6%) at a consideration of RMB1,422,000 and RMB158,000 respectively, which were determined with reference to the audited net asset value of Guangzhou Edensoft of RMB2.39 million as at 31 December 2016.

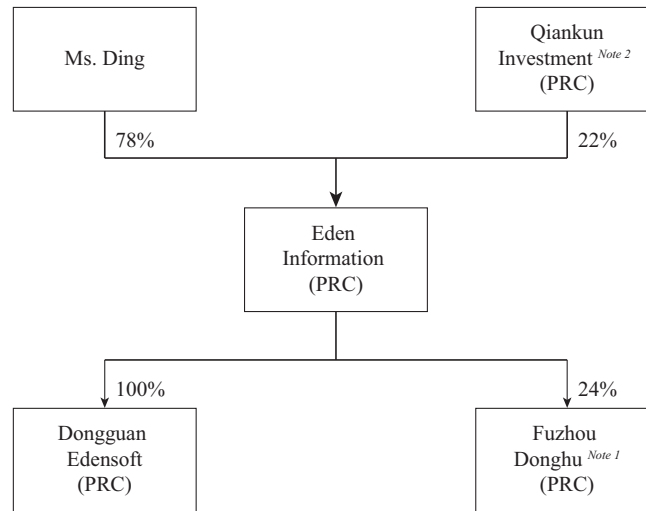
After the aforesaid transfers, Eden Information ceased to have any interest in Guangzhou Edensoft and Guangzhou Edensoft ceases to be a subsidiary of Eden Information. Although Guangzhou Edensoft continues its businesses under the same company name of Guangzhou Edensoft after completion of the transfer, Guangzhou Edensoft has undertaken that it shall not infringe the intellectual property rights of any trademarks and business names which Eden Information is a proprietor and it shall indemnify Eden Information for any loss and damages should there be any breach of the undertaking by Guangzhou Edensoft. Our Directors believe that, notwithstanding the continuous use of the company name of Guangzhou Edensoft by Guangzhou Edensoft, such usage will not cause competition and confusion to our Group as (i) the businesses of Guangzhou Edensoft will not be entirely the same as our Group given our Group intends to develop IT implementation and supporting service as well as cloud service in our new branch office to be set up in Guangzhou, whereas, insofar as to the best knowledge and information of the Directors, Guangzhou Edensoft will continue focusing its business on IT infrastructure services; (ii) the suppliers and customers of Guangzhou Edensoft and our Group are different with each other and in particular, Guangzhou Edensoft is not a LSP of Supplier A; (iii) the trademarks of our Group have been registered under the name of Eden Information and that Guangzhou Edensoft has undertaken not to infringe the trademarks and business names which Eden Information is a proprietor; and (iv) as advised by our PRC Legal Advisers, the registration of the intended company name of Eden Information for our branch office in Guangzhou that our Group intends to establish by using the net proceeds from the Share Offer will not be interfered by the company name of Guangzhou Edensoft.

During the Track Record Period and up to the date of transfer of Guangzhou Edensoft, Guangzhou Edensoft did not have any material non-compliance and was not involved in any material litigation that will affect the suitability of our executive Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability for listing of our Company under Rule 8.04 of the Listing Rules.

HISTORY AND REORGANISATION

REORGANISATION

The corporate structure of our Group immediately before the Reorganisation is set out below:



Note 1: Fuzhou Donghu was established on 25 December 2017. Its business scope is R&D of education software as well as sales, maintenance and technical services for the education software that it developed. Upon establishment, Fuzhou Donghu has a registered capital of RMB5,000,000, of which, 30% in the sum of RMB1,500,000 would be contributed by Eden Information, 45% in the sum of RMB2,250,000 would be contributed by Fuzhou Fuzhi Yunzhi Education Investment Co., Ltd.* (福州福職蘊智教育投資有限公司) and 25% in the sum of RMB1,250,000 would be contributed by Fujian Xindonghu Technology Development Co., Ltd.* (福建新東湖科技發展有限公司) respectively, where the latter two are not related to our Company and are not connected persons as defined under the Listing Rules save that they are shareholders of Fuzhou Donghu. The registered capital was agreed to be paid up on or before 31 March 2036. On 24 January 2019, Eden Information transferred its 6% shareholdings, representing its agreed capital contribution of RMB300,000, in Fuzhou Donghu to Fuzhou Fuzhi Yunzhi Education Investment Co., Ltd.* (福州福職蘊智教育投資有限公司) at a consideration of RMB1. The consideration was determined as Fuzhou Donghu has not yet commenced its business at the date of transfer and Fuzhou Fuzhi Yunzhi Education Investment Co., Ltd.* (福州福職蘊智教育投資有限公司) agreed to pay the agreed capital contribution of RMB300,000 for Eden Information. Eden Information has paid its share of the registered capital in Fuzhou Donghu in the amount of RMB1,200,000. As a result of the transfer, Fuzhou Donghu is owned as to 24% by Eden Information and 76% by the two Independent Third Parties. As at the Latest Practicable Date, Eden Information is a mere investor in Fuzhou Donghu holding minority interests therein, and neither our executive Directors nor senior management members was a board member and supervisor of Fuzhou Donghu.

Note 2: Qiankun Investment is a limited partnership established on 3 June 2015. The purpose of setting up Qiankun Investment was for investment holding of Eden Information. Upon establishment, it was held as to 90% by Ms. Ding as the general partner and 10% by Mr. Yang Yonghai (楊永海), an employee of Eden Information, as the limited partner. The percentage of partnership varied from time to time. Notwithstanding the variation in the percentage of partnership, Ms. Ding remained the general partner. Upon commencement of the Track Record Period, Qiankun Investment was held as to 82.4% by Ms. Ding and 17.6% by 18 limited partners. Prior to the Reorganisation, approximately 47.4% interests of Qiankun Investment were held by Ms. Ding and approximately 52.6% were held by 14 limited partners (comprising an Independent Third Party, holding 32.8% interests in Qiankun Investment and 13 employees of Eden Information holding the remaining interests of approximately 19.8%). For the purpose of the Reorganisation, Ms. Ding acquired the 50.6% interests from the then 13 limited partners at an aggregate consideration of approximately RMB5.33 million which was determined with reference to the valuated net asset value of Eden Information as of 31 August 2018 of approximately RMB47.8 million. As Qiankun Investment is a limited partnership, it is required to have at least 2 partners. Consequently, Qiankun Investment is owned as to 98% by Ms. Ding as the general partner and 2% by Ms. Li, our executive Director, as the limited partner since 2 January 2019.

HISTORY AND REORGANISATION

In preparation for the Listing, we underwent the Reorganisation which involves the following steps:

Incorporation of Pacific Ridge, Green Leaf, our Company, Frontier View and Edensoft International

Pacific Ridge

On 30 July 2018, Pacific Ridge, an investment holding company, was incorporated in the BVI and was authorised to issue a maximum of 50,000 shares of one class of par value US\$1.00 each. On 21 August 2018, one fully paid share of Pacific Ridge, representing its all issued share, was allotted and issued at par to Ms. Ding.

Green Leaf

On 29 October 2018, Green Leaf, an investment holding company, was incorporated in the BVI and was authorised to issue a maximum of 50,000 shares of one class of par value US\$1.00 each. On 29 October 2018, one fully paid share of Green Leaf, representing its all issued share, was allotted and issued at par to Ms. Ding. Since then, Green Leaf has been wholly-owned by Ms. Ding.

Our Company

On 4 September 2018, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary Shares with a par value of HK\$0.01 per Share. One fully-paid Share was allotted and issued to the initial subscriber, which was then transferred to Pacific Ridge on the same date. As part of the Reorganisation, on 21 November 2018, Pacific Ridge transferred the one fully-paid Share of our Company to Green Leaf at a consideration of HK\$0.01. Pursuant to a Subscription Agreement made between Green Leaf as an investor of the first part, our Company as the issuer of the second part and Ms. Ding as a warrantor and guarantor of the third part dated 24 December 2018, Green Leaf agreed to subscribe, and our Company agreed to allot and issue, one Share of our Company at a consideration of HK\$17,000,000. The consideration has been fully paid on 7 March 2019 and will be applied by us for general working capital and settling Listing expenses. By virtue of the Subscription Agreement, one Share of our Company was allotted and issued to Green Leaf on 27 December 2018. On 24 January 2019, the two Shares of our Company held by Green Leaf were assigned as a gift to Aztec Pearl, a company incorporated in the BVI in connection with the Family Trust, the interests of which is held by Tricor Equity Trustee as trustee for the benefit of the beneficiaries. For details, please refer to the paragraph headed “Establishment of the Family Trust” in this section below. The principal business of our Company is investment holding.

Frontier View

On 30 July 2018, Frontier View, an investment holding company, was incorporated in the BVI and was authorised to issue a maximum of 50,000 shares of a single class each with a par value US\$1.00. On 21 August 2018, one fully paid ordinary share of Frontier View, representing its entire issued share capital, was allotted and issued at par to Ms. Ding. As part of the Reorganisation, on 21 November 2018, Ms. Ding transferred the one fully-paid ordinary share of Frontier View to our Company at a consideration of US\$1. Since then, Frontier View has been a direct wholly-owned subsidiary of our Company.

Edensoft International

On 21 August 2018, Edensoft International was incorporated in Hong Kong as an investment holding company with one fully paid ordinary share of Edensoft International, representing its entire issued share capital, was allotted and issued to Ms. Ding. As part of the Reorganisation, on 2 November 2018, Ms. Ding transferred the one fully-paid ordinary share of Edensoft International to Frontier View at a consideration of HK\$1. After the transfer of shares from Ms. Ding of Frontier View to our Company on 21 November 2018, Edensoft International has been an indirect wholly-owned subsidiary of our Company.

Transfer between Ms. Ding and Mr. Ho

On 28 November 2018, a share transfer agreement was entered into between Ms. Ding and Mr. Ho, an Independent Third Party, pursuant to which Ms. Ding transferred her 1% interest in Eden Information to Mr. Ho at a consideration of RMB477,953, which was determined with reference to the valuated net asset value of Eden Information as of 31 August 2018 of approximately RMB47.8 million. The consideration has been fully settled on 24 January 2019. As advised by our PRC Legal Advisers, the transfer to Mr. Ho has been duly registered with the competent PRC Government on 16 January 2019. Eden Information was converted to a sino-foreign joint venture enterprise and it was held as to approximately 77% by Ms. Ding, 22% by Qiankun Investment and 1% by Mr. Ho, respectively.

Incorporation of Shenzhen Yundeng

On 19 December 2018, Shenzhen Yundeng was established in the PRC as a wholly foreign-owned enterprise with a registered capital of RMB1,000,000 which was agreed to be paid up by Edensoft International in full by 31 December 2048. Shenzhen Yundeng is a wholly-owned subsidiary of Edensoft International and an indirect wholly-owned subsidiary of our Company.

Establishment of the Family Trust

Pursuant to a Deed of Trust made between Ms. Ding as the settlor of the one part and Tricor Equity Trustee as the trustee of the second part dated 31 December 2018, Ms. Ding as the settlor established the Family Trust for succession planning purposes and to make provision for the beneficiaries of the Family Trust. Tricor Equity Trustee is appointed to act as the trustee of the Family Trust with effect from the date of the Deed of Trust and ending on the earlier of either the penultimate day on which shall expire the period of 360 years from the date of execution of the Deed of Trust or such date as the trustee shall by deed specify (not being a date earlier than the date of execution of such deed).

Tricor Equity Trustee acts as the trustee and has the powers including:

- (i) applying all or any part of the trust fund and the income thereof to and for the maintenance, education, advancement or otherwise for the benefit of any of the beneficiaries;
- (ii) paying out of or transferring from the trust fund and the income thereof to the trustees of any other trust for the benefit of the beneficiaries; and
- (iii) holding the trust fund and the income for the benefit of the beneficiaries.

HISTORY AND REORGANISATION

Upon creation of the trust, the trust fund (initially being USD100) has been transferred or delivered to Tricor Equity Trustee as the trustee who shall hold the trust fund as well as further monies, investments or other property of the Family Trust under its control upon trust for the beneficiaries. In connection with the Family Trust, Aztec Pearl, an investment holding company, was incorporated in the BVI on 31 December 2018 with one share, being the entire shareholding, of Aztec Pearl owned by Ms. Ding and Ms. Ding is the sole director of Aztec Pearl. The one share of Aztec Pearl was transferred to Tricor Equity Trustee with nil consideration on the establishment of the Family Trust on 31 December 2018. Since then, the Family Trust holds the entire interests in Aztec Pearl.

Pursuant to a Deed of Gift made between Ms. Ding as the donor of the one part and Tricor Equity Trustee as the donee of the other part dated 24 January 2019, Ms. Ding undertook to procure Green Leaf to assign the two shares of our Company that it held to assign to Aztec Pearl by way of gift for the beneficiaries of the Family Trust. The two shares of our Company were transferred from Green Leaf to Aztec Pearl as a gift on 24 January 2019. Accordingly, our Company was held by Aztec Pearl and the Family Trust indirectly holds the entire issued share capital of our Company.

The Family Trust is a revocable discretionary trust. On creation of the Deed of Trust, Mr. Cai is the beneficiary of the Family Trust. Green Leaf (a company which is wholly owned by Ms. Ding) was added as an additional beneficiary of the Family Trust on 1 March 2019. On the same date, Ms. Ding was also appointed as the protector. As the Family Trust is a discretionary trust, the entitlement to the trust funds has not been, and will not be, fixed until the distribution of the trust funds by the trustee. As at the Latest Practicable Date, no instruction has been given to Tricor Equity Trustee to distribute the trust funds. Accordingly, the percentage of the interests in the Family Trust attributable to each of the beneficiaries of the Family Trust is not ascertainable. Nevertheless, Mr. Cai, Green Leaf and Ms. Ding are regarded as the Controlling Shareholders of our Company.

The proper law of the Family Trust is the law of BVI and the provisions of the Family Trust are subject to, and enforceable under, the law of BVI. Pursuant to the Deed of Trust, the powers of Tricor Equity Trustee as the trustee to (i) exercise any power of appointment or make any distribution of the capital or income (or any part thereof) of the Trust Fund to one or more of the beneficiaries; or (ii) mortgage or otherwise encumber the Trust Fund (or any part thereof); or (iii) sell or otherwise dispose of the Trust Fund (or any part thereof) exceeds US\$1,000; or (iv) add any person, company, objects or purposes as a beneficiary to the trust; or (v) determine any person, company, objects or purposes to be excluded from the trust; or (vi) make any alterations to the terms of the Deed of Trust; or (vii) exercise any power of termination under the Deed of Trust; or (viii) change the law or forum for administration of the trust, shall not be exercised unless prior written notice has been given to the protector, i.e. Ms. Ding. Further, the trustee shall not be bound or required to interfere in the management or conduct of the affairs or business in which the trust fund may be invested.

By reason of the above, notwithstanding the establishment of the Family Trust and the transfer of interests to the Family Trust, Ms. Ding retains the control of the Family Trust and our Company through Aztec Pearl, and the beneficiaries of the Family Trust remain Ms. Ding and her son who is a connected person under the Listing Rules.

Our PRC Legal Advisers has advised us that such trust arrangement does not violate PRC laws or regulations.

Acquisition of Eden Information by Shenzhen Yundeng

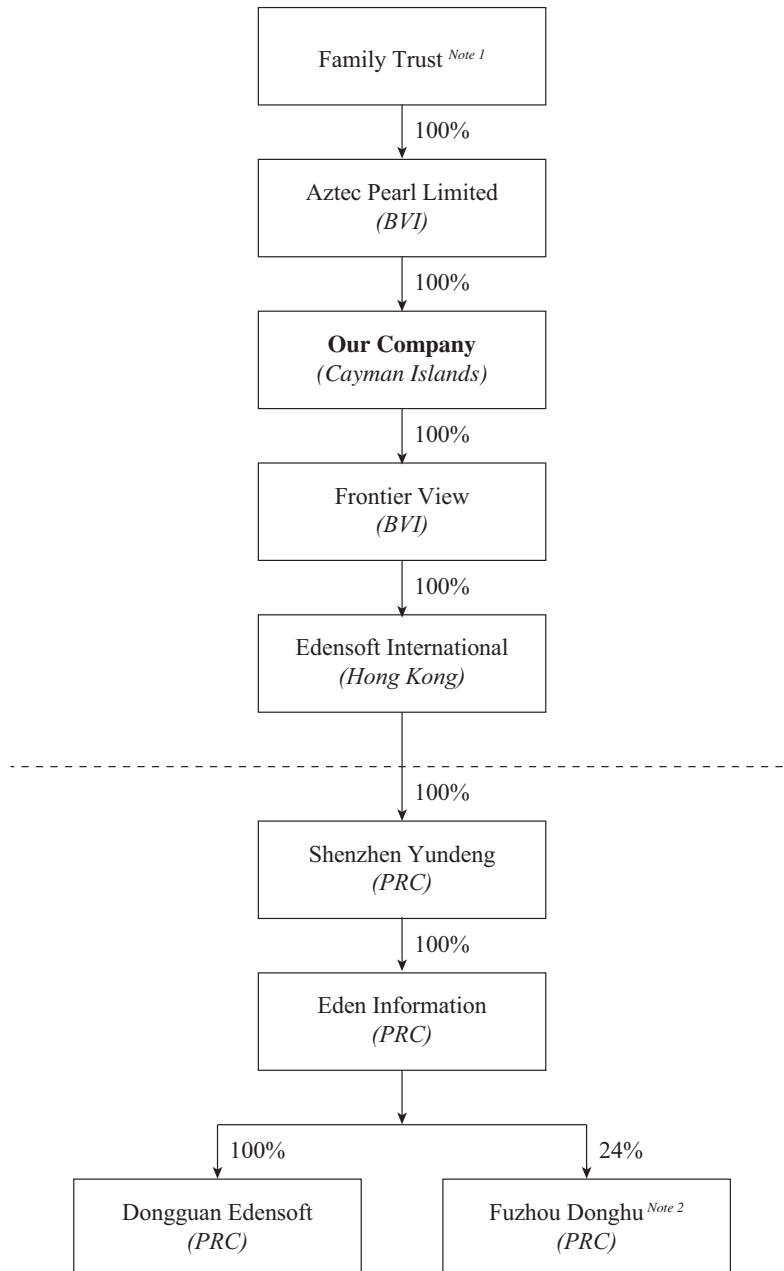
On 28 January 2019, three transfer agreements in relation to the interests in Eden Information were entered into by Shenzhen Yundeng, pursuant to which, Shenzhen Yundeng acquired (i) approximately 22% interests in Eden Information from Qiankun Investment at a consideration of RMB220,000; (ii) approximately 77% interests in Eden Information from Ms. Ding at a consideration of RMB770,000; and (iii) 1% interest in Eden Information from Mr. Ho at an aggregate consideration of RMB597,953. The considerations for the transfers of Eden Information from Qiankun Investment and Ms. Ding were determined having considered the registered capital of Shenzhen Yundeng, whereas, the consideration for the transfer from Mr. Ho was determined after arm's length negotiations between the parties having taken into account the valuated net asset value of Eden Information as of 31 August 2018 of approximately RMB47.8 million performed by an independent valuer. As advised by our PRC Legal Advisers, the acquisitions by Shenzhen Yundeng were duly approved and completed on 1 March 2019 when the transfer agreements have been duly registered with the competent PRC Government.

Upon completion of the transfers between Shenzhen Yundeng and each of Qiankun Investment, Ms. Ding and Mr. Ho, Eden Information became a direct wholly-owned subsidiary of Shenzhen Yundeng.

Our PRC Legal Advisers confirmed that all relevant approvals and permits in respect of the equity transfers of our PRC operating subsidiaries as described above have been obtained in accordance with relevant laws and regulations in the PRC.

HISTORY AND REORGANISATION

The corporate structure of our Group after completion of the Reorganisation but before the Capitalisation Issue and Share Offer is set out below:

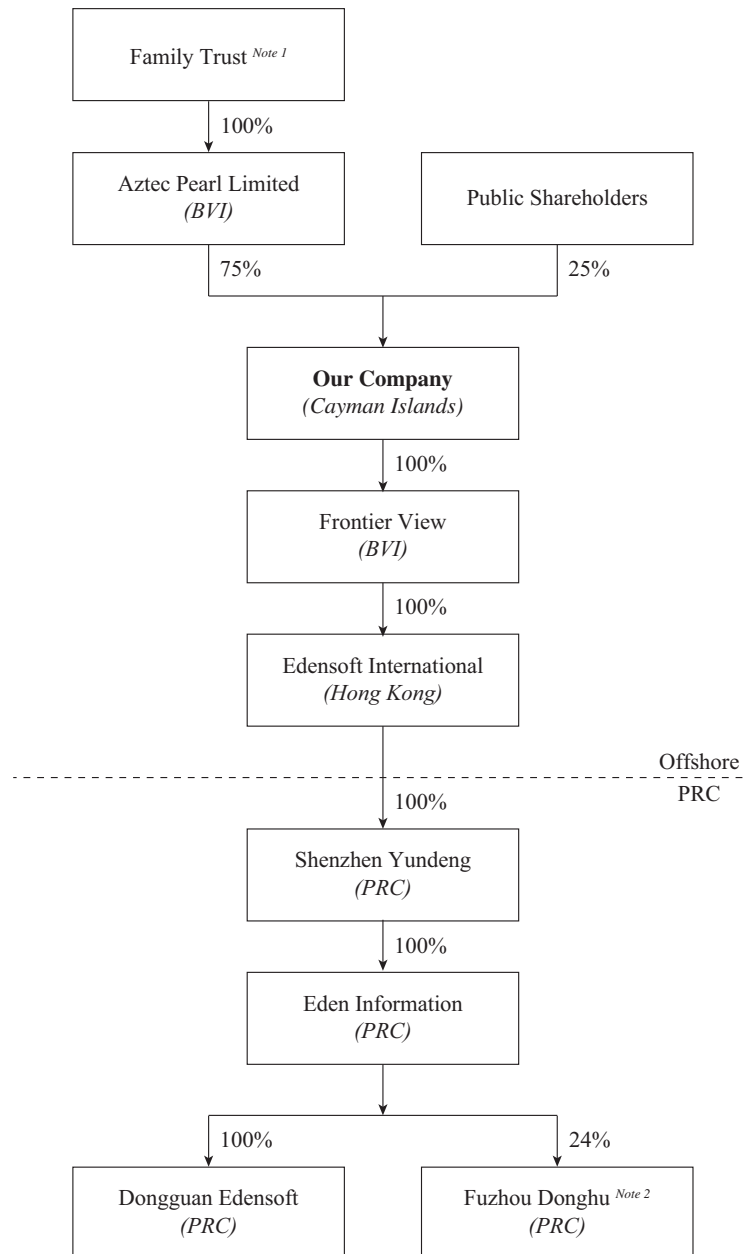


Note 1: The Family Trust is a revocable discretionary trust established by Ms. Ding as the settlor and protector of the trust, with Tricor Equity Trustee as the trustee, for the benefit of Green Leaf and Mr. Cai. For details, please refer to the paragraph headed “Establishment of the Family Trust” in this section.

Note 2: The remaining 76% equity interest in Fuzhou Donghu is owned as to 51% by Fuzhou Fuzhi Yunzhi Education Investment Co., Ltd.* (福州福職蘊智教育投資有限公司) and 25% by Fujian Xindonghu Technology Development Co., Ltd.* (福建新東湖科技發展有限公司) respectively, both of which are not related to our Company and are not connected persons as defined under the Listing Rules save that they are shareholders of Fuzhou Donghu.

HISTORY AND REORGANISATION

The corporate structure of our Group after completion of the Reorganisation and immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme) is set out below:



Note 1: The Family Trust is a revocable discretionary trust established by Ms. Ding as the settlor and protector of the trust, with Tricor Equity Trustee as the trustee, for the benefits of Green Leaf and Mr. Cai. For details, please refer to the paragraph headed “Establishment of the Family Trust” in this section.

Note 2: The remaining 76% equity interest in Fuzhou Donghu is owned as to 51% by Fuzhou Fuzhi Yunzhi Education Investment Co., Ltd.* (福州福職蘊智教育投資有限公司) and 25% by Fujian Xindonghu Technology Development Co., Ltd.* (福建新東湖科技發展有限公司) respectively, both of which are not related to our Company and are not connected persons as defined under the Listing Rules save that they are shareholders of Fuzhou Donghu.

PRC REGULATORY ISSUES RELATING TO THE REORGANISATION

The Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors in the PRC

On 8 August 2006, six PRC regulatory authorities, including the MOFCOM, the State Assets Supervision and Administration Commission, the State Administration of Taxation, SAIC, CSRC and SAFE, jointly issued the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (the “**M&A Rules**”), which became effective on 8 September 2006, and was amended on 22 June 2009. Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise through an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise.

Given that Eden Information was a sino-foreign joint venture enterprise prior to Shenzhen Yundeng’s acquisition of the entire equity interest in Eden Information, Shenzhen Yundeng’s acquisition of the entire equity interest in Eden Information is not subject to the M&A Rules, and the Listing does not require approvals from CSRC and MOFCOM under the M&A Rules.

SAFE REGISTRATION IN THE PRC

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through 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)(the “**SAFE Circular No.37**”), promulgated by SAFE and which became effective on 4 July 2014, (a) a PRC resident must register with the local SAFE branches before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branches for any major change, in respect of the Overseas SPV, including a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No.37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Director Investment (關於進一步簡化和改進直接投資外匯管理政策的通知)(the “**SAFE Circular No. 13**”), promulgated by SAFE and which became effective on 1 June 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Advisers, all necessary SAFE registration under the SAFE Circular No. 37 has been completed.

OVERVIEW

Established in 2002, we are an integrated IT solutions and cloud services provider in the PRC. Our business portfolio includes provision of IT infrastructure services, IT implementation and supporting services and cloud services, with over 16 years of experience in the IT services industry in the PRC. According to the Industry Report, the IT services industry is highly fragmented with a large number of market participants. Our Group was ranked first in terms of revenue generated in 2018, among the LSPs of Supplier A, a leading U.S. based global computer software provider, in Southern China. Our principal business segments include:

- (i). **IT infrastructure services:** We assess our customers' needs and their existing IT environment and provide our IT infrastructure services by advising them on the suitable hardware and/or software products that their IT environment would require and procuring the relevant hardware and/or software products, including but not limited to servers and routers, security software, office-related software and computers from the IT products vendors and installing these IT products in our customers' IT environment.
- (ii). **IT implementation and supporting services:** Our IT implementation and supporting services generally refer to (i) design of IT solutions; (ii) development and/or implementation of plan involving hardware and/or solution based software products; and (iii) provision of technical and maintenance supporting services. We generally provide tailor-made IT implementation and supporting services to cater for our customers' specific requirements and our services usually entail IT system analysis and design, solution based software development involving coding and data conversion, technology consultancy, procurement of the necessary hardware and software products and system integration. Our contracts for provision of IT implementation and supporting services are generally obtained on a project basis.
- (iii). **Cloud services:** Our cloud services generally include offering design, management and technical support for using cloud platforms provided by us, which include our self-developed cloud platform, namely Eden Cloud, and other third party cloud platforms. Currently, our cloud platforms provide different types of cloud services to our customers, including but not limited to (i) cloud services management platform; (ii) documents sharing; (iii) cloud storage; and (iv) data migration. In addition, we provide a wide range of third party software as well as our self-developed software in our cloud platforms, through which our customers can use these software on a monthly/annual subscription basis, without paying the full price/license fees for acquiring and/or installing these software in their own IT systems. Thus, our Directors consider that the cloud services provided by us could enhance the working efficiency of our customers in terms of customer relationship management, product life management, enterprise resources planning, manufacturing execution system, supply chain management as well as human resources management.

BUSINESS

For the four years ended 31 December 2019, our revenue was approximately RMB327.3 million, RMB468.4 million, RMB612.1 million and RMB791.9 million, respectively. The following table sets forth a breakdown of our revenue by business segments during the Track Record Period:

Business segment	For the year ended 31 December							
	2016		2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
IT infrastructure services	198,854	60.8	250,998	53.6	276,251	45.1	401,775	50.7
IT implementation and supporting services	79,856	24.4	80,396	17.1	145,826	23.9	141,563	17.9
Cloud services	<u>48,583</u>	<u>14.8</u>	<u>137,045</u>	<u>29.3</u>	<u>190,015</u>	<u>31.0</u>	<u>248,550</u>	<u>31.4</u>
Total	<u>327,293</u>	<u>100.0</u>	<u>468,439</u>	<u>100.0</u>	<u>612,092</u>	<u>100.0</u>	<u>791,888</u>	<u>100.0</u>

Our customers during the Track Record Period include enterprises and entities from private and public sectors in the PRC, covering various industries including but not limited to retail distribution and trading, TMT, financial services, manufacturing, transportation and logistics. During the Track Record Period, all of our services were provided in the PRC.

Our customers are mainly divided into two categories, namely: (i) intermediaries; and (ii) end-users. Intermediaries are mainly IT companies which provide overall IT solutions to end-users while end-users include TMT, manufacturing, finance, transportation and logistics companies and other commercial organisations.

The following table sets forth the breakdown of our revenue by types of customers for the years indicated:

	For the year ended 31 December							
	2016		2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
End-users	289,609	88.5	396,995	84.7	538,416	88.0	719,565	90.9
Intermediaries	<u>37,684</u>	<u>11.5</u>	<u>71,444</u>	<u>15.3</u>	<u>73,676</u>	<u>12.0</u>	<u>72,323</u>	<u>9.1</u>
Total	<u>327,293</u>	<u>100.0</u>	<u>468,439</u>	<u>100.0</u>	<u>612,092</u>	<u>100.0</u>	<u>791,888</u>	<u>100.0</u>

During the Track Record Period, the majority of our customers are end-users. We were also engaged by intermediaries to perform certain parts or specific areas of IT services, which mainly include system analysis and design, feasibility study and procurement of hardware and/or software products.

BUSINESS

The following tables set forth the breakdown of revenue, gross profit, gross profit margins and number of customers by cities of our Group for the years indicated:

Province/Cities	Year ended 31 December 2016				Number of customers
	Revenue		Gross profit	Gross profit margin	
	RMB'000	%	RMB'000	%	
A. Guangdong Province					
(a) Shenzhen	249,255	76.2	27,161	10.9	357
(b) Guangzhou	36,412	11.1	4,288	11.8	290
(c) Dongguan	7,021	2.1	1,705	24.3	57
(d) Others	5,315	1.6	833	15.7	62
B. Hebei Province					
(a) Beijing	16,193	5.0	1,934	11.9	37
(b) Others	177	0.1	18	10.2	4
C. Jiangsu Province					
(a) Shanghai	1,439	0.4	133	9.3	27
(b) Others	1,869	0.6	235	12.6	8
D. Hubei Province					
(a) Wuhan	3,330	1.0	650	19.5	11
(b) Others	8	N/A	2	19.9	1
E. Fujian Province					
(a) Fuzhou	60	N/A	4	6.5	4
(b) Others	209	0.1	8	3.7	5
F. Hunan Province					
(a) Changsha	–	N/A	–	N/A	–
G. Other Provinces					
(a) Other cities*	6,005	1.8	885	14.7	47
Total	<u>327,293</u>	<u>100.0</u>	<u>37,856</u>	<u>11.6</u>	<u>910</u>

* Other cities include Hainan, Nanning, Chengdu, Zhengzhou and Hangzhou, etc.

BUSINESS

Province/Cities	Year ended 31 December 2017				Number of customers
	Revenue		Gross profit	Gross profit margin	
	RMB'000	%	RMB'000	%	
A. Guangdong Province					
(a) Shenzhen	373,024	79.6	41,234	11.1	364
(b) Guangzhou	38,729	8.3	5,815	15.0	248
(c) Dongguan	4,601	1.0	993	21.6	48
(d) Others	6,087	1.3	696	11.4	56
B. Hebei Province					
(a) Beijing	33,058	7.1	7,217	21.8	36
(b) Others	507	0.1	15	2.9	4
C. Jiangsu Province					
(a) Shanghai	2,554	0.5	546	21.4	18
(b) Others	665	0.2	107	16.1	9
D. Hubei Province					
(a) Wuhan	4,753	1.0	1,229	25.8	6
(b) Others	–	N/A	–	N/A	–
E. Fujian Province					
(a) Fuzhou	172	N/A	39	22.8	3
(b) Others	155	N/A	26	17.0	6
F. Hunan Province					
(a) Changsha	193	0.1	41	21.3	2
G. Other Provinces					
(a) Other cities*	<u>3,941</u>	<u>0.8</u>	<u>501</u>	12.7	<u>38</u>
Total	<u><u>468,439</u></u>	<u><u>100.0</u></u>	<u><u>58,459</u></u>	12.5	<u><u>838</u></u>

* Other cities include Chongqing, Nanning, Hangzhou, Dalian and Chengdu, etc.

BUSINESS

Province/Cities	Year ended 31 December 2018				Number of customers
	Revenue		Gross profit	Gross profit margin	
	RMB'000	%	RMB'000	%	
A. Guangdong Province					
(a) Shenzhen	450,454	73.6	50,899	11.3	364
(b) Guangzhou	32,900	5.4	4,575	13.9	62
(c) Dongguan	21,493	3.5	2,209	10.3	35
(d) Others	4,816	0.8	539	11.2	34
B. Hebei Province					
(a) Beijing	45,184	7.4	10,462	23.2	29
(b) Others	1,309	0.2	83	6.3	4
C. Jiangsu Province					
(a) Shanghai	8,301	1.4	1,390	16.8	22
(b) Others	815	0.1	181	22.2	11
D. Hubei Province					
(a) Wuhan	1,232	0.2	230	18.7	6
(b) Others	–	N/A	–	N/A	–
E. Fujian Province					
(a) Fuzhou	14,577	2.4	1,129	7.7	6
(b) Others	1,204	0.2	41	3.4	4
F. Hunan Province					
(a) Changsha	17,378	2.8	3,085	17.7	4
G. Other Provinces					
(a) Other cities*	12,429	2.0	1,722	13.9	46
Total	<u>612,092</u>	<u>100.0</u>	<u>76,544</u>	<u>12.5</u>	<u>627</u>

* Other cities include Nanning, Chengdu, Hangzhou, Hong Kong and Yuxi, etc.

BUSINESS

Province/Cities	Year ended 31 December 2019				Number of customers
	Revenue		Gross profit	Gross profit margin	
	RMB'000	%	RMB'000	%	
A. Guangdong Province					
(a) Shenzhen	563,126	71.1	47,459	8.4	405
(b) Guangzhou	48,181	6.1	8,801	18.3	98
(c) Dongguan	29,077	3.7	1,517	5.2	31
(d) Others	14,067	1.8	2,738	19.5	57
B. Hebei Province					
(a) Beijing	55,764	7.0	12,482	22.4	37
(b) Others	288	N/A	38	13.3	3
C. Jiangsu Province					
(a) Shanghai	11,724	1.5	1,951	16.6	39
(b) Others	16,124	2.0	564	3.5	19
D. Hubei Province					
(a) Wuhan	1,248	0.2	49	4.0	7
(b) Others	15	N/A	2	13.7	1
E. Fujian Province					
(a) Fuzhou	5,526	0.7	88	1.6	7
(b) Xiamen	8,944	1.1	1,718	19.2	11
(c) Others	558	0.1	42	7.5	2
F. Hunan Province					
(a) Changsha	486	0.1	60	12.3	5
(b) Others	31	N/A	3	9.9	1
G. Other Provinces					
(a) Other cities*	36,729	4.6	5,690	15.5	118
Total	<u>791,888</u>	<u>100.0</u>	<u>83,202</u>	<u>10.5</u>	<u>841</u>

* Other cities include Shenyang, Nanchang, Tianjin, Yunnan and Hangzhou, etc.

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During the Track Record Period, we received higher gross profit margins from certain cities in the PRC were primarily because (i) we charged more for the provision of on-site services for customers located in another provinces, due to the additional time and cost incurred by our staff for travelling, and therefore such customers generally needed to pay higher price for the same services compared with our customers located in different provinces. As such, we intend to establish new branch office in Shanghai to promote and expand the geographical coverage of our IT services and increase timeliness of our services to and enhances our competitiveness on these provinces. For details, please refer to the paragraph headed “Business – Our Strategies” in this prospectus; and (ii) we mainly provided our IT implementation and supporting services and cloud services for the customers located in such certain cities, thus recorded higher gross profit margins during the Track Record Period.

As business partners/authorised service providers of a number of internationally renowned IT products vendors, our customers are able to procure a wide range of hardware and/or software products directly from us and integrate into their IT systems. During the Track Record Period, our suppliers mainly consist of IT products vendors and their authorised resellers/distributors in the PRC. The following table sets forth some of the major partnerships/authorisations with our IT products vendors and their authorised reseller(s)/distributor(s) as at the Latest Practicable Date.

Year of first grant	Levels of partnerships/authorisations	Suppliers
2006	Gold Certified Partner* (金牌認證合作夥伴)	Supplier A
2009	Gold Partner (金牌能力合作夥伴*)	An IT services company headquartered in U.S. providing comprehensive and integrated cloud applications and services
2009	Gold Partner (金牌能力合作夥伴*)	An IT services company headquartered in U.S. providing security products and solutions services
2010	Gold Solution Advisor in the PRC (中國大陸地區金牌代理商*)	An IT services company headquartered in U.S. delivering people-centric solutions
2011	Enterprise Solution Service Provider (企業級解決方案提供商*)	An IT services company headquartered in U.S. providing cloud computing and platform virtualisation software and services
2015	Licensing Solution Partner	Supplier A
2017	Authorised Device Reseller (授權設備經銷商*)	Supplier H, who is the distributor of the device for the brand of Supplier A in the PRC
2018	Platinum Reseller (鉑金代理*)	An IT services company headquartered in U.S. specialising in intelligent development tools

Our Directors believe that we were able to achieve the aforementioned levels of partnerships/authorisations mainly because of our abilities to meet certain benchmarks and requirements set by the IT products vendors, such as (i) our capability and proven track record in introducing and marketing their products to the target customers in the PRC; (ii) our established sales network in the PRC; (iii) our technical expertise and professional knowledge in the IT services industry; and (iv) our experience in providing value-added services to the customers.

In addition, our suppliers also consist of other IT consultancy and services firms which are engaged by us to act as our subcontractors to provide assistance to our provision of IT implementation and supporting services. During the Track Record Period, we subcontracted certain work in our provision of IT implementation and supporting services such as IT services for file management, establishment of IT services management platform and the technical and maintenance support services in order to avoid incurring extra cost for employing a large labour force or specialised expertise and to increase our flexibility in our resource management. For the four years ended 31 December 2019, our subcontracting cost amounted to approximately RMB18.9 million, RMB22.5 million, RMB43.2 million and RMB38.3 million, respectively, which accounted for approximately 6.5%, 5.5%, 8.1% and 5.4%, respectively, of our total cost of sales, for the same periods. For further details, please refer to the paragraph headed “Subcontracting” in this section below.

Leveraging on our existing IT infrastructure services, IT implementation and supporting services and cloud services, we plan to further strengthen our market position as an integrated IT solutions and cloud services provider and strategically utilise our resources to develop and expand our IT implementation and supporting services as well as cloud services which have recorded higher profit margin during the Track Record Period. For further details, please refer to the paragraph headed “Our Strategies” in this section.

OUR COMPETITIVE STRENGTHS

We believe our success is attributed to, among other things, the following competitive strengths:

We are an integrated IT solutions and cloud services provider in the PRC with proven track record and reputation of providing one-stop IT services to cater for our customers’ needs

In order to cater for our customer’s various needs and requirements, we offer one-stop IT services which encompass (i) IT infrastructure services; (ii) IT implementation and supporting services; and (iii) cloud services. Further, we are experienced in collaborating with other IT consultancy and services firms to design and develop tailor-made IT solutions services to satisfy our customers’ specific needs and requirements. In order to ensure the quality and efficiency of our IT services, we also offer technical and maintenance support services as part of our after-sales services to our customers and may, upon request, provide secondment services to our customers under which our staff will be stationed at our customers’ offices to provide guidance and technical support to our customers.

During the Track Record Period, leveraging on our reputation, experience and capability in the IT services industry, our revenue increased by approximately RMB141.1 million or approximately 43.1% from RMB327.3 million for the year ended 31 December 2016 to RMB468.4 million for the year ended 31 December 2017. Our revenue further increased by approximately RMB143.7 million, or approximately 30.7% to RMB612.1 million for the year ended 31 December 2018. For the year ended 31 December 2019, our revenue increased to RMB791.9 million, representing an increase of approximately RMB179.8 million or 29.4% from RMB612.1 million for the year ended 31 December 2018. As at the Latest Practicable Date, we have maintained business relationship with our five largest customers ranging from less than one year to approximately 14 years. During the Track Record Period, we have served over 1,000 corporate customers with over 300 new customers in each

financial year for the four years ended 31 December 2019, and therefore our Directors believe that we have demonstrated our capability to retain our existing customers as well as expand and diversify our client portfolio by attracting new customers.

The following table sets forth the breakdown of our revenue of new and existing customers of each business segment for the years indicated:

Revenue from new and existing customers of each business segment (Note)	For the year ended 31 December																							
	2016				2017				2018				2019											
	New customers		Existing customers		New customers		Existing customers		New customers		Existing customers		New customers		Existing customers									
	No. of customers	% of each business segment	No. of customers	% of each business segment	No. of customers	% of each business segment	No. of customers	% of each business segment	No. of customers	% of each business segment	No. of customers	% of each business segment	No. of customers	% of each business segment	No. of customers	% of each business segment								
	RMB'000		RMB'000		RMB'000		RMB'000		RMB'000		RMB'000		RMB'000		RMB'000		RMB'000							
IT infrastructure services	613	57,679	29.0	142	141,175	71.0	300	39,300	15.7	278	211,698	84.3	215	35,326	12.8	205	240,925	87.2	213	68,728	17.1	394	126,569	82.9
IT implementation and supporting services	98	35,094	43.9	44	44,762	56.1	53	8,536	10.6	85	71,860	89.4	63	52,561	36.0	84	93,265	64.0	56	15,054	10.6	121	333,048	89.4
Cloud services	99	14,537	29.9	75	34,046	70.1	175	18,574	13.6	188	118,471	86.4	112	42,315	22.3	135	147,700	77.7	118	41,466	16.7	231	207,084	83.3
Total:		107,310			219,983			66,410			402,029			130,202			451,890			125,248			666,641	

Note:

During the Track Record Period, certain existing or new customers engaged our Group to provide services and/or products across different business segments, therefore our revenue generated from these customers was separately calculated with reference to the corresponding business segments of our Group stated above.

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For the year ended 31 December 2016, our existing customers and new customers contributed approximately RMB220.0 million and RMB107.3 million, representing approximately 67.2% and 32.8% of our total revenue, respectively. Our existing customers generally accounted for a larger proportion of our revenue across all of our business segments, amounting to approximately 71.0% of the revenue generated from IT infrastructure services, 56.1% of the revenue generated from IT implementation and supporting services, and 70.1% of the revenue generated from cloud services, respectively, which was mainly attributable to (i) contracts signed in previous years which cover more than one financial years and (ii) our established business relationships with our customers.

For the year ended 31 December 2017, our existing customers and new customers contributed approximately RMB402.0 million and RMB66.4 million, representing approximately 85.8% and 14.2% of our total revenue, respectively. Compared to the year ended 31 December 2016, there was a general increase in the proportion of revenue contributed by our existing customers across all business segments, amounting to approximately 84.3% of the revenue generated from IT infrastructure services, approximately 89.4% of the revenue generated from IT implementation and supporting services, and approximately 86.4% of the revenue generated from cloud services, respectively. The increase in the revenue contribution by our existing customers was mainly attributable to (i) increased transaction amount in IT infrastructure services and cloud services with our Customer A, which is our existing customer, due to the signing of the five year enterprise agreement with them in March 2017 and (ii) our sales strategies to provide discount to certain of its cloud services customers, resulting in increase in revenue from both existing and new customers in cloud services segment when compare the same in 2018.

For the year ended 31 December 2018, our existing customers and new customers contributed approximately RMB481.9 million and RMB130.2 million, representing approximately 78.7% and 21.3% of our total revenue, respectively. Compared to the year ended 31 December 2017, there was an overall increase in the proportion of revenue contributed by our new customers, which was mainly attributable to the increase in the revenue generated from our new customers for the IT implementation and supporting services and cloud services, amounting to approximately 36.0% and 22.3%, respectively. The increase in the revenue contribution by our new customers in these two business segments was mainly due to our increased effort in soliciting cloud services-related contracts in 2018 by hiring more technical staff and providing higher commission for sales staff to solicit these contracts.

For the year ended 31 December 2019, our existing customers and new customers contributed approximately RMB666.6 million and RMB125.2 million, representing approximately 84.2% and 15.8% of our total revenue, respectively. Compared to the year ended 31 December 2018, there was an overall increase in the proportion of revenue contributed by our existing customers, which was mainly attributable to the increase in the revenue generated from our existing customers for the IT implementation and supporting services and cloud services, representing approximately 25.4% and 5.6% of increase in the respective segment revenue for the year ended 31 December 2019. The increase in the revenue contribution by our existing customers in these two business segments was mainly attributable to increase in transaction amount with Customer A and Customer D during the relevant year.

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The following table sets forth the size of each contract for each business segment for the years indicated:

Size of each contract for each business segment	For the year ended 31 December							
	2016		2017		2018		2019	
	Lowest contract amount ⁽¹⁾	Highest contract amount ⁽²⁾	Lowest contract amount ⁽¹⁾	Highest contract amount ⁽²⁾	Lowest contract amount ⁽¹⁾	Highest contract amount ⁽²⁾	Lowest contract amount ⁽¹⁾	Highest contract amount ⁽²⁾
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
IT infrastructure services	1	31,449	1	30,836	1	30,836	1	36,560
IT implementation and supporting services	4	21,339	2	11,601	1	11,153	1	10,680
Cloud services	2	6,990	1	57,885	1	61,218	1	79,493

Note: 1. Lowest contract amount refers to the lowest contract amount of an individual contract entered into between our Group and customer for each financial year.

2. Highest contract amount refers to the highest contract amount of an individual contract entered into between our Group and customer for each financial year.

Leveraging on our (i) track record and reputation of providing one-stop IT services; (ii) established sales network; and (iii) growing customer base, we have been and are able to provide one-stop IT services which satisfy our customers' needs and requirements.

We have established strategic relationships with internationally renowned IT products vendors with their accreditations and authorisations and have been consistently appointed as their authorised services providers for sale of their IT products and/or services in the PRC

Benefiting from the edges as aforementioned in this section of this prospectus, we have forged strategic and long-standing relationships with internationally renowned IT products vendors with their accreditations and authorisations, and have been appointed as their authorised services providers for sale of their IT products and services in the PRC. During the Track Record Period, we were also awarded the best seller prize and accredited as platinum and gold certified partners by a number of our major IT products vendors. In addition, our Group was recognized as advanced unit by fifth council of Shenzhen Communication and Internet Society (深圳市通信與互聯網協會) in August 2018.

We have maintained stable business relationship with our five largest suppliers during the Track Record Period ranging from approximately two to approximately 16 years and the majority of them are internationally renowned IT products vendors. As one of the major business partners/authorised service providers of the internationally renowned IT products vendors and LSP of Supplier A, we are able to maintain our competitiveness in the market since we are able to obtain more resources and technical support from these IT products vendors. We may also participate in trainings, workshops and seminars given by them to equip our employees with the latest technical knowledge of the IT services. Our business partner/authorised service provider status also enables us to participate in certain incentive programmes offered by the IT products vendors and their authorised resellers/distributors if available. Under such incentive programmes, upon fulfilling certain performance achievements, our cost of procuring hardware and software products from the IT products vendors and their authorised resellers/distributors may be reduced by cash incentive depending on the programme. For further details, please refer to the paragraph headed "Our Suppliers – Incentive Programme" in this section.

Based on the aforesaid, our Directors believe that our strategic relationships with these internationally renowned IT products vendors can (i) broaden and diversify our product portfolio to meet the requirements of our customers, which will also provide us with a competitive edge to capture the potential market opportunities in the future; and (ii) enable us to provide various types of IT services to meet the ever-changing IT requirements of our customers in a timely and cost-efficient manner and assist our Group in attracting and retaining our customers.

We have technical expertise, knowledge and R&D capabilities in our IT services

We keep ourselves updated with the latest IT services technology as well as the industry-specific requirements. Our employees have accumulated technical knowledge in the specification and application of IT products and services from our IT products vendors by passing various exams and/or tests set by the relevant IT products vendors as well as through the internal training and advice provided by our own R&D team. As at the Latest Practicable Date, 55% of our technical staff hold relevant computing related qualifications, and all of them have obtained technical certifications from our IT products vendors. During the Track Record Period, our R&D team was responsible for initiating and monitoring our R&D projects based on the market trend and requirements of our customers, with an aim to further enhance the IT services provided by us. Given the technical expertise and IT infrastructure required for carrying out our R&D projects, it is in line with the industry practice and more cost-effective for us to engage external IT technical and service firms to assist in our R&D projects, whereas our R&D team is responsible for managing the progress and results of our R&D projects.

For the four years ended 31 December 2019, we have incurred approximately RMB3.8 million, RMB10.6 million, RMB18.5 million and RMB19.3 million, respectively, as our R&D expenses.

As at the Latest Practicable Date, our Group has obtained the following recognitions and intellectual property rights which demonstrate our IT R&D capabilities:

- recognition as a high technology enterprise by the PRC governmental authority since 2007;
- qualification of ISO9001:2015 in recognition for our software development, technical consultancy services and cloud services;
- qualification of ISO/IEC 27001:2013 in recognition for our IT security management activities relating to the computer application software development services and maintenance services for software and hardware operation of computer information system;
- qualification of ISO/IEC 20000-1:2011 in recognition for our maintenance services for software and hardware operation of computer information system; and
- successful registration of 68 registered copyrights in the PRC.

To complement the aforementioned trainings, we provide regular in-house and external training relating to management, professional skills and knowledge and we have established a training system based on job responsibilities, technical expertise, know-how and operational skills. Leveraging on the above, our Directors believe that we are able to formulate tailor-made IT services to meet the requirements of our customers and develop strong and sustainable relationship with our customers. Further, we are able to maintain and update our IT and R&D capabilities with our experienced professional and technical staff.

We have an established sales network and experienced sales team with support from our R&D and technical support team

According to the Industry Report, it is the market practice and strategies of the IT products vendors to establish sale network by appointing local authorised services providers rather than engaging in direct sales with the customers in the PRC. We believe that the IT products vendors adopt this approach mainly because (i) they can benefit from our established sales network and thereby reduce time and cost incurred on marketing and promoting their products and services in the local market; (ii) our Group offers a broad IT products and services portfolio which generate product synergy for promoting different types of IT products and services; (iii) our sales team possess understanding of the business needs of the local customers and is well positioned to provide tailor-made pre-sales services including but not limited to advising and introducing different types of IT products and services to satisfy the specific needs and requirements of the customers; and (iv) our Group is able to offer prompt after-sales services, if required, to our customers due to our proximity in the customers' location and thereby provide our customers with better user experience which in turn benefits and drives the sales of both our services as well as the IT products and services from our IT products vendors.

As at the Latest Practicable Date, our sales team consisted of 53 sales personnel, with the head of sales team, Ms. Peng Dongping, having over 17 years of experience in the relevant industries. Our sales team can gain access to the necessary technical knowledge from our R&D and technical support team and is able to combine both sales and technical knowledge when providing IT services and related advice to our customers. Thus, our Directors consider that our Group can effectively provide IT services and introduce different types of IT products and services to our customers through our experienced sales team and established sales network.

We have experienced and dedicated management team with industry knowledge in the IT services industry

We believe that the vision and extensive experience of our management team is fundamental to our success. We have an experienced and dedicated management team with extensive technical expertise and substantial experience in the IT services industry. Our management team is led by, among others, our executive Director, Ms. Ding Xinyun, who has over 24 years of experience in the IT services industry, whereas our senior management have an average of approximately 15 years of related experience and have obtained the relevant academic qualifications. Their knowledge, experience and vision in the industry has led us to capture a number of business opportunities. For example, benefiting from their insight that cloud services have considerable potential in the IT services industry, our Group stepped into the cloud services in 2013. Due to the efforts of our management team, we expanded our cloud services into banking sector in January 2015. For biographical details of our Directors and senior management, please refer to the section headed "Directors and Senior Management" of this prospectus.

Leveraging on the industry knowledge of our management team and our technical capabilities, we believe that we are able to formulate IT services to meet our customers' requirements, and further expand our market share and types of service offerings which in turn enhance our profitability.

OUR STRATEGIES**Continue to strengthen and develop our R&D and IT services capabilities and further expand our cloud services**

Our Directors believe that possession of up-to-date market intelligence within the industry is one of the key factors leading to the success of an integrated IT solution and cloud services provider. We will continue to strengthen our R&D and IT services capabilities and commit in developing and expanding our cloud services, in order to maintain our competitiveness and increase our market share in the IT services industry. In particular, we intend to further expand and develop our IT services based on our cloud platforms which include, among others, cloud storage, data transmission, cloud platform management, AI-based customer's services, facial recognition assistance tool, corporate asset management system, product quality control system and external surface measurement tool.

In order to strengthen and develop our R&D and IT services capabilities and further expand our cloud services, we plan to use approximately HK\$12.3 million to acquire additional software, hardware and cloud services subscription to upgrade and improve our IT systems. The following table sets forth the breakdown of the estimated costs of (i) software and hardware to be acquired; and (ii) cloud subscription for enhancing our IT systems and cloud services:

	<i>HK\$ million</i>
Hardware (e.g. server, computer and database)	6.3
Software (e.g. tooling, operating system and database)	3.3
Cloud services subscription	<u>2.7</u>
Total	<u><u>12.3</u></u>

Although our Group only had minimal amount of property, plant and equipment during the Track Record Period, we consider that the purchases of hardware and software of approximately HK\$9.6 million would be able to (i) reduce our reliance on certain IT services providers for subcontracting our IT services to them; (ii) increase the efficiency and quality of services in the provision of our IT services; and (iii) further improve our IT services provided to our customers and enhance our R&D capabilities in developing customised IT products to meet the needs and requirements of our customers as our staff can take advantage of the enhanced functions and effects of the upgrade hardware and software. In addition, as certain hardware and software are applied to different R&D projects and could also be used for operational use, therefore we expect such hardware and software would be used efficiently and beneficial for strengthening and developing our R&D and IT services capabilities.

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The following table sets forth the breakdown of hardware and software to be procured by us:

Particulars of software/hardware	<i>HK\$ million</i>
Hardware	
Computer and server	
For R&D purposes and operational use	2.7
Software testing equipment	
For R&D purposes only	2.6
Other IT products	
For R&D purposes only	0.7
For R&D purposes and operational use	<u>0.3</u>
Total	<u><u>6.3</u></u>
Software	
Coding and development software	
For R&D purposes and operational use	1.5
Office and security software	
For R&D purposes only	1.2
For R&D purposes and operational use	0.2
Third party integration software	
For R&D purposes only	<u>0.4</u>
Total	<u><u>3.3</u></u>

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In respect of the cloud service subscription fee, it generally refers to the fee paid for subscription of different types of cloud services, including but not limited to (i) cloud storage; and (ii) software provided on the third party cloud platforms. The cloud service subscription fee is generally charged on a monthly/annual subscription basis. For the four years ended 31 December 2019, the amount of cloud service subscription fee amounted to approximately RMB2.5 million, RMB4.4 million, RMB25.2 million and RMB43.8 million, respectively, among which, nil, approximately RMB0.1 million, RMB0.3 million and RMB0.1 million was incurred for our R&D purposes. The increase in our cloud service subscription fee during the Track Record Period correspond to the increase in revenue from our cloud services segment during the Track Record Period.

Our Directors consider that the increase in the cloud service subscription fee can enhance our R&D and IT service capabilities given that (i) 9 projects of our 12 R&D projects will be mainly used for enhancing our cloud services and 3 projects of our 12 R&D projects will be mainly used for enhancing our IT implementation and supporting services and cloud services; (ii) the cloud service subscription can not only be applied to our R&D projects but also can be used for our operational purposes, which plays a mutual reinforcement function between our R&D and operation; and (iii) we can benefit from the flexibility and variety of software offered by the cloud services subscription which can be obtained on monthly/annual subscription basis without paying the full price/license fees for acquiring and/or installing all the necessary software in our IT system and thereby enhancing our cost efficiency.

During the Track Record Period, we only selectively applied the strategy to engage third party service providers for certain types of the cloud services in order to increase the cost efficiency, taking into account the (i) complexity and types of the services required; (ii) investment costs for acquiring the required hardware and software; and (iii) operational and maintenance costs for delivering these services with our Group's internal resources. For instance, we mainly engage third party service providers to provide cloud storage services in order to support its cloud services as the third party service providers can benefit from economy of scales so as to lower their costs for providing the cloud storage services, which in turn enable our Group to increase the profit margin when rendering the cloud services to its customers.

On the other hand, as mentioned above, the increased R&D expenses will be utilised for acquiring specific software and hardware which are suitable to facilitate and support the on-going and future R&D projects to be undertaken by our Group. In particular, these software and hardware are mainly for (i) operational use; (ii) software testing and measurement equipment; (iii) coding and software development; (iv) office and security protection; and (v) third party software integration. The selective acquisition of the software and hardware funded by the increased R&D expenses will also enable our Group to facilitate and support the on-going and future R&D projects at a lower cost, while it is also our Group's business strategy to selectively engage third party service providers for providing certain types of cloud services, such as cloud storage services, so as to achieve higher cost efficiency.

In addition, we intend to use approximately HK\$13.7 million on our 12 R&D projects covering the following areas, which correspond with our core focuses and areas of development of our R&D team:

- (i). upgrade and development of our Eden Cloud with the aim of integrating the cloud services provided by different IT products vendors, including but not limited to providing consolidated resources management services, technical and support services, consumption analysis services, cloud migration of enterprise services and other tailor-made cloud services;
- (ii). development of intelligent manufacturing detection system by integrating software, hardware and internet with the aim of increasing the product quality and production efficiency of the manufacturing company;

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- (iii). upgrade and development of other cloud software products for, including but not limited to, large attachment and cloud documents management with the aim of enhancing our cloud services;
- (iv). upgrade and development of Eden facial identification system by way of integrating the artificial intelligent technologies and social software with the function of identifying individuals through software to increase the efficiency of social activities, including but not limited to conferences and exhibitions; and
- (v). upgrade and development of asset management system with the aim of enhancing our IT services capabilities and enriching the functions of our self-developed software provided through cloud platform.

The following table sets out the details, including (i) nature of each project, (ii) breakdown of the amount of net proceeds from the Share Offer to be incurred for each project, and (iii) current status, of each of the 12 R&D projects to be undertaken by our Group:

Name of projects (for identification purpose only)	Nature of projects	Amount of net proceeds from the Share Offer to be incurred for each project			Sub-total (HK\$ million)	Current status
		Staff cost (HK\$ million)	Other expenses related to R&D (Note 1) (HK\$ million)	Service fee paid to third party IT services providers (Note 2) (HK\$ million)		
Project A	The nature of this project is cloud-based software development in relation to corporate network based on a software developed by us during the Track Record Period and the subject software will be used to enhance our cloud services.	0.5	0.1	1.0	1.6	As at 31 December 2019, we have incurred approximately HK\$0.67 million on this project, which is expected to be completed by November 2020.
Project B	The nature of this project is cloud-based software development in relation to upload of attachment based on a software developed by us during the Track Record Period and the subject software will be used to enhance our cloud services.	0.7	0.1	0.3	1.1	As at 31 December 2019, we have incurred approximately HK\$0.89 million on this project, which is expected to be completed by June 2021.
Project C	The nature of this project is cloud-based software development in relation to corporate development and management based on a software developed by us during the Track Record Period and the subject software will be used to enhance our cloud services.	0.6	0.1	0.5	1.2	As at 31 December 2019, we have incurred approximately HK\$0.01 million on this project, which is expected to be completed by April 2021.

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Name of projects (for identification purpose only)	Nature of projects	Amount of net proceeds from the Share Offer to be incurred for each project			Sub-total (HK\$ million)	Current status
		Staff cost (HK\$ million)	Other expenses related to R&D (Note 1) (HK\$ million)	Service fee paid to third party IT services providers (Note 2) (HK\$ million)		
Project D	The nature of this project is cloud-based software development in relation to internal network and the subject software will be used to enhance our IT implementation and supporting services and cloud services.	0.4	0.1	1.0	1.5	As at 31 December 2019, we have not incurred any expenses for this project, which is expected to be completed by September 2021.
Project E	The nature of this project is cloud-based software development in relation to mobile application based on a software developed by us during the Track Record Period and the subject cloud platform will be used to enhance our cloud services.	0.8	0.1	0.8	1.7	As at 31 December 2019, we have incurred approximately HK\$0.05 million on this project, which is expected to be completed by October 2021.
Project F	The nature of this project is cloud-based software development in relation to customer services based on software developed by us during the Track Record Period and the subject software will be used to enhance our cloud services.	0.8	0.1	1.0	1.9	As at 31 December 2019, we have incurred approximately HK\$1.45 million on this project, which is expected to be completed by January 2021.
Project G	The nature of this project is cloud-based software development in relation to corporate management based on software developed by us during the Track Record Period and the subject software will be used to enhance our cloud services.	0.3	N/A	0.2	0.5	As at 31 December 2019, we have not incurred any expenses for this project, which is expected to be completed by January 2021.

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Name of projects (for identification purpose only)	Nature of projects	Amount of net proceeds from the Share Offer to be incurred for each project			Sub-total (HK\$ million)	Current status
		Staff cost (HK\$ million)	Other expenses related to R&D (Note 1) (HK\$ million)	Service fee paid to third party IT services providers (Note 2) (HK\$ million)		
Project H	The nature of this project is cloud-based software development in relation to appearance detection and the subject software will be used to enhance our IT implementation and supporting services and cloud services.	0.7	0.1	0.3	1.1	As at 31 December 2019, we have incurred approximately HK\$0.10 million on this project, which is expected to be completed by June 2021.
Project I	The nature of this project is cloud-based software development and internal network in relation to asset management based on software developed by us during the Track Record Period and the subject software will be used to enhance our IT implementation and supporting services and cloud services.	0.5	0.1	0.2	0.8	As at 31 December 2019, we have incurred approximately HK\$0.31 million on this project, which is expected to be completed by January 2021.
Project J	The nature of this project is cloud-based software development in relation to office management based on software developed by us during the Track Record Period and the subject software will be used to enhance our cloud services.	0.7	0.1	N/A	0.8	As at 31 December 2019, we have incurred approximately HK\$0.53 million on this project, which is expected to be completed by June 2021.
Project K	The nature of this project is cloud-based software development in relation to manufacturing measurement based on software developed by us during the Track Record Period and the subject software will be used to enhance our cloud services.	0.4	0.1	N/A	0.5	As at 31 December 2019, we have incurred approximately HK\$0.03 million on this project, which is expected to be completed by January 2021.

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Name of projects (for identification purpose only)	Nature of projects	Amount of net proceeds from the Share Offer to be incurred for each project			Sub-total (HK\$ million)	Current status
		Staff cost (HK\$ million)	Other expenses related to R&D (Note 1) (HK\$ million)	Service fee paid to third party IT services providers (Note 2) (HK\$ million)		
Project L	The nature of this project is cloud-based software development in relation to cloud platform management based on software developed by us during the Track Record Period and the subject cloud platform will be used to enhance our cloud services.	0.7	0.1	0.2	1.0	As at 31 December 2019, we have not incurred any expenses for this project, which is expected to be completed by June 2021.
Total amount of net proceeds:					13.7	

Note 1: Other expenses related to our R&D team mainly include rental expense, office expense and travelling expense.

Note 2: As confirmed by Frost & Sullivan, it is an industry norm for IT services providers to subcontract certain R&D work to other third party IT services providers.

Our Directors consider that the R&D projects will add values to our business and help generate revenue for our Group in the following aspects:

- (i) During the Track Record Period, we had regular discussions with our customers for their feedbacks on our IT products and/or services, including but not limited to (i) the suitability and quality of the IT products and services offered by us; (ii) their needs and requirements for the IT products and/or services; and (iii) the effectiveness of the functions and applications of our IT products and/or services based on their users' experience. The nature of our R&D projects are determined after taking into account the feedbacks and comments raised by our customers. As such, the scope of our R&D projects are specifically tailored with an aim to provide IT services and/or products which can better cater for the demands and business environment of our customers and align our provision of IT services with the latest market trend. Accordingly, our Directors consider that the R&D projects can improve our customers' experience in using our IT services, and thereby add value to our Group's business by enhancing the competitiveness of our IT services;
- (ii) During the Track Record Period, the revenue contributed by our self-developed cloud-based software development amounted to approximately RMB3.6 million, RMB3.7 million, RMB3.2 million and RMB4.5 million, for the four years ended 31 December 2019, respectively;

- (iii) Among our 12 R&D projects, 9 out of which are related to cloud-based software development and the subject software and services will be used for enhancing our cloud services. Our strategic focus on the cloud related products and services is based on the latest industry trend and development in the IT services market. According to the Industry Report, with the rapid development of related technologies, including but not limited to, IoT and artificial intelligence, along with the upgrade of IT infrastructure, the cloud services market in the PRC will continue to keep its rapid growth in the foreseeable future, of which, the market size is expected to grow from approximately RMB39.2 billion in 2019 to approximately RMB96.3 billion in 2023, with a CAGR of approximately 25.2%. Given the rapid development of the cloud services market in the PRC, our Directors consider that the cloud-based software and services developed under our R&D projects will further improve the capabilities of our Group to capture the potential opportunities and increase our market share in the cloud services market in the PRC;
- (iv) During the Track Record Period, our revenue from provision of cloud services increased from approximately RMB48.6 million for the year ended 31 December 2016 to approximately RMB137.0 million for the year ended 31 December 2017, representing an increase by approximately RMB88.4 million, or approximately 181.9%. Our revenue from cloud services further increased to approximately RMB190.0 million for the year ended 31 December 2018, representing an increase by approximately RMB53.0 million, or approximately 38.7%. Our revenue from provision of cloud services increased from approximately RMB190.0 million for the year ended 31 December 2018 to approximately RMB248.6 million for the year ended 31 December 2019, representing an increase by approximately RMB58.6 million, or approximately 30.8%. The continuous growth in our cloud services will be further supported by the cloud-based software and services developed under our R&D projects, which will increase the variety of products and services offered by our Group and thereby enhance our capability to provide value-added services to customers in different industries; and
- (v) Furthermore, we intend to fully utilise and integrate the software and services developed under our R&D projects with our existing IT services so that our customers can directly benefit from these newly developed software and services when engaging us for our IT services. In addition, we intend to provide introduction workshops and trainings for these newly introduced software and services in our newly established technical service centres in Shenzhen and Shanghai. Our Directors consider that we can further enhance our corporate image and market reputation as an integrated IT solutions services provider by promoting these newly developed software and services under our R&D projects to our existing and potential customers, and thereby help drive up the revenue of our Group in the long run.

In view of the above, we intend to utilise approximately HK\$26.0 million, representing approximately 35.1% of the net proceeds from the Share Offer, to strengthen and develop our R&D and IT services capabilities and expand our cloud services among which, (i) approximately HK\$12.3 million, representing approximately 16.6% of the net proceeds from the Share Offer on the procurement of software, hardware and cloud subscription services; and (ii) approximately HK\$13.7 million, representing approximately 18.5% of the net proceeds from the Share Offer for R&D projects. For further details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

We intend to expand our offices and enhance our service capacity to capture business opportunities in different regions in the PRC

According to the Industry Report, the PRC is a global leading market for IT services industry and it is expected to maintain a continuing growth which would support our Group's strategy to expand our Shenzhen office and to set up new branch offices in Shanghai and Guangzhou, where some of our existing and potential customers are located, and recruit additional staff members in these offices to promote and expand the geographical coverage of our IT services and increase timeliness of our services to the target customers in different regions in the PRC.

While most of the major provinces in the PRC have recorded steady growth in the IT services market in 2018, Guangdong and Shanghai were among the top 6 provinces in the PRC, which completed over RMB3.8 trillion in revenue from IT services, accounting for around 72.7% of the entire IT services industry in the PRC. In particular, Guangdong, the largest province in IT services market in terms of revenue in 2018, contributed RMB995.2 billion at a market share of 19.1%, and Shanghai, the sixth largest province in IT services market in terms of revenue in 2018, contributed RMB405.4 billion at a market share of 7.8%, respectively.

In addition, the Guangdong provincial government has promulgated supportive policies to strengthen the development of IT services in Guangdong province. According to Notice of the Office of the Ministry of Industry and Information Technology of Guangdong Province on Organizing the Application of the Guangdong Province Industrial Internet Industry Ecological Supply Resource Pool and the Shangyun Platform Supplier (2019)(廣東省工業和信息化廳辦公室關於組織申報廣東省工業互聯網產業生態供給資源池暨上雲上平台供應商(2019年)的通知), the enterprises in the IT services industry in Guangdong province will be able to benefit from the provincial industrial enterprise "go on the cloud platform" award policy under which the awardee will receive a range of support from the local PRC government, including but not limited to financial subsidy and resources allocation, and thereby enhance the competitiveness of the IT services providers in this region.

The Guangdong provincial government has also published the "Notice of Guangdong Deepening the Implementation of Industrial Internet Implementation Plan and Supporting Policy Measures for Internet + Advanced Manufacturing"(廣東省深化“互聯網+先進製造業”發展工業互聯網實施方案及配套政策措施的通知) in 2018, which aims to nurture and cultivate the IT service providers with advanced technology in the province and encourage enterprises in Guangdong province to participate in the "go on the cloud platform" revolution which in turn further provide a strong growth momentum to the IT services industry in the region.

Furthermore, Eastern and Southern China are the key regions for the application of cloud services in 2018. According to Frost & Sullivan, the top five regions, including Shanghai, Beijing, Guangdong, Jiangsu and Zhejiang, accounted for 67.3% of the overall cloud services market in China in 2018, among which, Shanghai and Guangdong accounted for 20.9% and 12.2% of the overall cloud services market in China in 2018, respectively.

Expansion of our Shenzhen office

In light of the increasing demand for IT services in Southern China, we intend to expand our Shenzhen office by recruiting up to 12 additional staff, including 5 IT technicians, 4 research staff and 3 sales staff and leasing an additional office premises (which is next to our existing office premises) of approximately 1,000 sq.m., of which approximately 641 sq.m. is usable area. Our existing office premises was too crowded considering that the number of staff who worked primarily in office and our office space available. As at 31 December 2018, we had 119 staff members who worked primarily in our existing office premises. The additional office premises allow us (i) to set up a technical services centre of approximately 300 sq.m., of which approximately 110 sq.m., is to be used to showcase our products and services to our customers and potential clients, (ii) to have more conference rooms to have business meetings with our customers and business partners, (iii) to increase our business presence and capacity for providing our IT services in Shenzhen, as well as (iv) to have space for subsequent expansion. On 30 December 2018, we entered into a tenancy agreement, which has a term of three months rent free period, with an Independent Third Party for leasing such additional office premises for three years beginning from 1 January 2019. Subsequent to the handover of the additional office premises to our Group in January 2019, it has taken around three months for us to renovate the office premises and set up office furnitures, conference room facilities and technical services centre for demonstration of various newly introduced IT products and services provided by us which was completed by around May 2019. After conducting testing, completing integration exercise of various IT facilities set up in the additional office premises and obtaining the fire control acceptance certificate (建設工程消防驗收意見書) issued by the Housing and Construction Bureau of Futian District of Shenzhen Municipality (深圳市福田區住房和建設局) regarding the compliance of fire safety measures in our additional office premises in June 2019, since then we have gradually reallocated 33 staff members from our existing office premises to the additional office premises up until December 2019.

According to the Industry Report, Shenzhen is the largest city in the PRC IT services industry with revenue of RMB658.5 billion, which accounted for 12.7% of the revenue derived from IT services industry in China in 2018. The IT services market in Shenzhen has experienced a rapid growth from RMB271.8 billion in 2013 to RMB658.5 billion in 2018, at a CAGR of approximately 19.4%. With the strengthening efforts in enhancing R&D in IT services in Shenzhen, the overall market in Shenzhen is expected to reach RMB1,397.7 billion in 2023 with a CAGR of approximately 15.7% from 2019 to 2023, according to the Industry Report.

The development of the IT services market in Shenzhen is also supported by the government policy, such as the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (粵港澳大灣區發展規劃綱要) issued by CPC Central Committee and State Council in February 2019, which stipulated, among others, (a) the objective of strengthening the construction and development of technological innovation in the Greater Bay Area; (b) further strengthening the construction of major technological infrastructure, cross-research platforms and cutting-edge R&D capabilities in the Greater Bay Area; (c) strengthening the protection of intellectual property rights and cultivation of professional talents; and (d) promoting Shenzhen as a capital of technological innovation and IT services. Under such plan, the Greater Bay Area, consisting of Hong Kong, Macao, Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing, will be further developed as a strategic economic zone in the PRC, and Shenzhen will play a significant role in the overall IT services development in the PRC. As advised by Frost and Sullivan, there will be an increase in demand for IT services in Shenzhen and Guangzhou due to closer economic ties and business development and cooperation opportunities among different cities and municipalities in the Greater Bay Area. As such, our Directors are of the view that it is vital for us to capture such upcoming business opportunities in Shenzhen and the Greater Bay Area.

Leveraging on the aforementioned supportive government policies and the existing strengths of the IT services market in the PRC, it is expected that Shenzhen will continue to play a significant role in the development of the IT services industry in the PRC, resulting in the corresponding increase in demand for the IT services in Shenzhen in the foreseeable future.

For the four years ended 31 December 2019, the number of our customers based in Shenzhen amounted to 357, 364, 364 and 405, respectively and the revenue contributed by the customers based in Shenzhen amounted to approximately RMB249.3 million, RMB373.0 million, RMB450.5 million and RMB563.1 million, respectively, accounting for approximately 76.2%, 79.6%, 73.6% and 71.1% of our total revenue for the same periods, respectively. During the Track Record Period, there was a steady growth in terms of revenue from our customers based in Shenzhen due to our established presence and sales network in Shenzhen.

Pursuant to the U.S. Ban, we had to suspend the provision of IT services involving the use of the U.S. originated products and/or services to Customer A (the “**Service Suspension**”) (save for those covered by the licenses granted by BIS).

Despite our revenue generated from the sales of the U.S. originated products and services (save for those covered by the license granted by the BIS) to Customer A would be affected by the Service Suspension, it remains to be our business strategy to further diversify our customer base and attract new customers, which in turn can mitigate the impact of the U.S. Ban and the Service Suspension to our Group.

During the Track Record Period, there was a steady increase of our Group’s revenue generated from customers other than Customer A. For the four years ended 31 December 2019, the aggregated revenue generated from other customers (excluding Customer A) of our Group amounted to approximately RMB187.3 million, RMB236.0 million, RMB353.2 million and RMB472.2 million, respectively. As such, we have demonstrated our capability in developing business relationships with other customers and our Directors consider that the increase in sales to other customers (excluding Customer A) can mitigate the impact of our Group’s reduced sales to Customer A due to the U.S. Ban, given that we generally recorded higher profit margin for the sale of products and/or services to other customers as compared to those sold to Customer A.

Since the announcement of the U.S. Ban and up to the Latest Practicable Date, we attracted up to 290 new customers in different regions in the PRC across different industry sectors, which engaged us to provide IT products and services. The revenue generated from these new customers amounted to over RMB100 million over the aforementioned period.

In view of (i) our strategy to diversify our customer base; (ii) the increasing demand for our IT services from our customers (excluding Customer A) during the Track Record Period and after the announcement of the U.S. Ban; (iii) our historical financial records; and (iv) the favourable government policies which support the continuous development of IT services market in Shenzhen as discussed above, our Directors are of the view that our Group would need to expand the Shenzhen office and further recruit staff with different skill sets and experience so that it could further support our Group’s efforts to diversify its customer base and better cater our existing and potential customers’ demand for our Group’s products and/or services.

Setting up of new branch offices in Shanghai and Guangzhou

By leveraging on our capabilities to serve the needs and requirements of customers based in different regions in the PRC, we also plan to set up new branch offices in Shanghai and Guangzhou by recruiting up to 10 staff, including 2 IT technicians, 3 sales staff and 5 staff for administration, accounting, human resources and management for our Shanghai branch office, and 11 staff, including 2 IT technicians, 4 sales staff and 5 staff for administration, accounting, human resources and management for our Guangzhou branch office, respectively. We also plan to lease two office premises of approximately 300 sq.m. each for these two branch offices.

The setting up of branch offices in Shanghai and Guangzhou are in line with the development and growth of IT services industry in the PRC. According to the Industry Report, the IT services markets in Shanghai and Guangzhou have been growing at CAGRs of 11.8% and 15.5%, respectively, from 2013 to 2018. The high-level market and technological development of Shanghai and Guangzhou is driving the IT services market competitiveness and it is expected that IT services markets in Shanghai and Guangzhou will continue to grow at CAGRs of 13.8% and 13.2%, respectively, from 2019 to 2023.

In addition, the PRC government has formulated different supporting measures and policies to promote the growth of the IT services industry in Shanghai and Guangzhou. In May 2018, the Shanghai municipal government has released “Shanghai Software and Integrated Circuit Enterprise Designers and Core Team Special Awards” (上海市軟件和集成電路企業設計人員、核心團隊專項獎勵辦法), offering financial incentives to attract software talents in the IT services field in Shanghai. Moreover, the “Shanghai Municipal Enterprise Promotion Cloud Action Plan (2018-2020)” (上海市推進企業上雲行動計劃(2018-2020年)) was also launched by the Shanghai municipal government to promote the use of cloud computing and services in Shanghai. In addition to the Greater Bay Area initiative as discussed in the paragraph headed “Expansion of our Shenzhen Office” in this section, in June 2018, the Guangzhou Industrial and Information Technology Commission has also issued the “Guangzhou Industrial and Information Development Fund Sub-Fund Application Guidelines” (廣州市工業和信息化發展基金子基金申報指南) providing funding support to, among others, new generation information technology, intelligent network and smart equipment and robots, which in turn provides a strong growth impetus to the demand for IT services in Guangzhou. The supportive government measures and policies are expected to further support the growth of the IT services industry in Shanghai and Guangzhou.

During the Track Record Period, we were invited to submit tenders for projects regarding the provision of IT products and/or services in Shanghai and Guangzhou, which included tendering condition that the service provider would need to have local office with local IT supporting staff to provide on-site services. We were keen but given that we were unable to fulfil such tendering condition without setting up a local branch office in Shanghai and Guangzhou, we were unable to tender approximately 22 and 3 projects based in Shanghai and Guangzhou, respectively, and therefore foregone business opportunities with a total estimated contract sum amounted to approximately RMB65.3 million and RMB3.1 million, respectively. As such, the setting up of two new offices in Shanghai and Guangzhou would also enable our Group to fulfil certain tendering conditions or selection criteria set by some of the local customers based in Shanghai and Guangzhou, which require their IT service providers to set up a local office with certain number of IT technical staff to be stationed in such office, and enable us to provide timely services to customers in nearby cities.

Since 1 July 2019 and up to the Latest Practicable Date, we (i) have entered into service agreements with 70 customers (excluding Customer A) in Shanghai and nearby cities in Eastern China, and 85 customers (excluding Customer A) in Guangzhou and nearby cities in Southern China, with the estimated contract sum amounted to approximately RMB48.0 million and RMB52.3 million, respectively; and (ii) were in negotiation with 11 potential customers in Shanghai, and 4 potential customers in Guangdong region, with a total estimated contract sum amounted to approximately RMB37.1 million and RMB17.1 million, respectively. Therefore, it is demonstrated that there are business opportunities for us to expand and we indeed secured business contracts in those regions. Our Directors believe that it would be even better in terms of business origination if we have local presence in those regions. In order to attract more new customers and develop a local business network in Shanghai, we intend to strategically recruit some experienced local sales managers and operational supervisors in Shanghai who can facilitate our Group to develop business relationship with the local customers as well as those potential customers based in the nearby cities, and who are able to oversee and execute the business expansion plan in Shanghai.

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Having to set up a branch office with local sales and technical support team stationed in Shanghai, we will be able to tender for business projects that require the service providers to have local branch office in Shanghai. As such, our Directors considered that setting up the branch office in Shanghai would allow us to (i) further strengthen our business relationship with our existing customers based in Shanghai and nearby cities in Eastern China; (ii) identify and develop new business relationship with the potential customers in Shanghai which would otherwise be more difficult to achieve without the Shanghai branch office; and (iii) provide timely on-site services and support to these local customers which will enhance our Group's competitiveness and thereby increase our market share in the local market.

Moreover, we have been engaged in projects which required physical presences of our employees in the client's office. Our revenue generated from these projects for the four years ended 31 December 2019 amounted to approximately RMB11.8 million, RMB18.9 million, RMB37.4 million and RMB45.3 million, respectively, which demonstrated an increasing trend. In addition, by establishing a Shanghai office, we can reduce the time and cost incurred by our staff to provide on-site services for customers located in nearby cities, thus we can provide more competitive pricing as well as timely services to such customers. We expect these two new offices will broaden our potential customer base, increase our opportunities for tendering our IT services to these local customers, increase our penetration rate for the market share and competitiveness in these local markets accordingly.

In respect of our Group's revenue derived from the customers based in Guangzhou and Shanghai during the Track Record Period, for the four years ended 31 December 2019, the revenue derived from the customers based in Guangzhou amounted to approximately RMB36.4 million, RMB38.7 million, RMB32.9 million and RMB48.2 million, accounting for approximately 11.1%, 8.3%, 5.4% and 6.1% of our total revenue for the same periods, respectively. For the four years ended 31 December 2019, the revenue derived from the customers in Shanghai amounted to approximately RMB1.4 million, RMB2.6 million, RMB8.3 million and RMB11.7 million, accounting for approximately 0.4%, 0.5%, 1.4% and 1.5% of our total revenue for the same periods, respectively.

Leveraging on our existing market share and sales network in Guangzhou and Shanghai, our Directors consider that setting up new offices in Guangzhou and Shanghai will further consolidate and strengthen our market position as one of the leading IT services providers in the Southern China, as well as allow us to further tap into the IT service market in Shanghai and Guangzhou as well as their nearby provinces and cities.

As confirmed by Frost & Sullivan, it is an industry norm for IT services providers to establish presence in different cities to strengthen the market position as well as capture market share in different cities of the PRC.

In view of the above, our Directors consider that the expansion of our Shenzhen office and establishment of the two branch offices in Shanghai and Guangzhou would enable our Group to capture the business growth and opportunities by providing our IT services to our existing and potential customers based in these areas in the PRC.

Establishment of technical services centres

In addition, our office expansion plan will be complemented by the establishment of technical services centres in these offices which will serve as direct access points to allow our existing and/or potential local customers to gain first-hand experience in the usage and functionality of the IT services and products offered by us, whereas our technical staff will also provide guidance, technical support, trainings, workshops and demonstration of the software application as well as integration of different types of IT products and services to our customers. Our Directors are of the view that the technical services centres can also serve as platforms for promoting and marketing our IT services and products to our existing and potential customers. Through our technical services centres, we also intend to provide demonstrations and proof of concepts services for pitching potential customers. We also plan to provide IT trainings and workshops which will focus on a variety of topics covering, among others, (i) updates on latest IT development in the industry; (ii) applications of various software and hardware; and (iii) introduction of the newly developed IT products from our suppliers and our self-developed IT products. Our Directors consider that we can foster our relationship with our customers and further enhance our corporate image and branding through the delivery of the IT trainings and workshops at the technical services centres. The general administration of our technical services centres will be led by our chief technology officer to be recruited, who will also assist our sales team in promoting our IT services to our existing and potential customers. We will also acquire additional hardware, software and office equipment to support the operation of the technical services centres and we intend to deploy certain technical staff to be stationed in each of these centres. We consider that it would be beneficial for our business development to establish technical services centres in our Shenzhen and Shanghai offices as part of our strategic development plan to strengthen our sales network and presence in the Southern China as well as enhance our market penetration in Northern China.

We intend to utilise approximately HK\$24.4 million, or approximately 33.0% of the net proceeds from the Share Offer to expand our offices and enhance our service capacity to capture business opportunities in different regions in the PRC, among which, (i) approximately HK\$9.6 million, representing approximately 12.9% of the net proceeds from the Share Offer, to expand our Shenzhen office (which comprises the leasehold improvement cost, rental cost and hardware and software cost); (ii) approximately HK\$2.0 million, representing approximately 2.7% of the net proceeds from the Share Offer, to establish our new branch office in Shanghai (which comprises the leasehold improvement cost, rental cost and hardware and software cost); (iii) approximately HK\$1.0 million, representing approximately 1.4% of the net proceeds from the Share Offer for establishment of technical services centres in our Shenzhen and Shanghai offices; and (iv) approximately HK\$11.8 million, representing approximately 16.0% of the net proceeds from the Share Offer, to recruit additional staff and technicians and enhancement of our training to support the aforementioned office expansion, establishment of the technical services centres in our Shenzhen and Shanghai offices, and business growth of our Group. For further details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus. The cost of establishing new office in Guangzhou is expected to be financed by our internal resources.

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The following table sets forth the breakdown of the estimated costs for expanding our Shenzhen office and establishment of new office in Shanghai:

	<i>HK\$ million</i>
Expansion of Shenzhen office	
Leasehold improvement cost	0.5
Staff cost	7.9
Rental cost (<i>Note 1</i>)	7.7
Set up technical services centre	0.6
Hardware and software	<u>1.4</u>
Sub-total	<u>18.1</u>
Establishment of Shanghai branch office	
Leasehold improvement cost	0.3
Staff cost	3.9
Rental cost (<i>Note 2</i>)	0.7
Set up technical services centre	0.4
Hardware and software	<u>1.0</u>
Sub-total	<u>6.3</u>
Total	<u><u>24.4</u></u>

Note 1: Rental cost represents the rent payable by our Group for 30 months.

Note 2: Rental cost represents the rent payable by our Group for 24 months.

Due to commercial consideration and different opinions on the further development plan among the then shareholders of Guangzhou Edensoft, our Group disposed its entire equity interest, equivalent to approximately 66% interests in Guangzhou Edensoft, to another shareholder and the then employee of Guangzhou Edensoft, both are Independent Third Parties, on 18 September 2017. For further details, please refer to the paragraph headed “History and Reorganisation – Disposal of equity interests in Guangzhou Edensoft” in this prospectus.

Strengthen our marketing efforts and improve our brand recognition

We aim to strengthen our marketing efforts and improve our Group’s brand recognition by participating in IT industry exhibitions, IT award competitions and organising marketing events. In addition, we also plan to organise seminars together with other professional parties for our target customers as well as host other client relationship events so as to expand and strengthen our client base. We intend to incur approximately HK\$3.8 million, representing approximately 5.2% of the net proceeds from the Share Offer, for our abovementioned plans in strengthening our marketing efforts and improving our brand recognition.

Maintain fund for performance bond

During the Track Record Period, we were only required by two of our IT products vendors namely, Supplier A and Supplier G, to provide performance securities in the form of performance bond under their respective contractual obligation to ensure our due performance during the contract term and the security sum will only be released upon completion of the relevant project/contract. The amount of performance bond placed with the banks by our Group for the procurement of products and services from Supplier A and Supplier G is calculated based on approximately 20% to 40% of the relevant amount set out in the letter of guarantee with the banks, Supplier A or Supplier G and us, which is referenced to the credit limit between us and Supplier A or Supplier G at any period of time during the validity of the letter of guarantee. As at 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019 and the Latest Practicable Date, we had outstanding performance bond in an aggregate sum of approximately RMB3.9 million, RMB3.0 million, RMB8.9 million, RMB9.3 million and RMB9.0 million, respectively. The products and services provided by Supplier A are applied to our IT services, whereas those by Supplier G are applied to our cloud services.

It is common in the industry that performance securities are required for IT products vendors, and it is expected that IT services market size in the PRC will continue to grow to RMB10,859.1 billion at a CAGR of 16.0% from 2019 to 2023 according to the Industry Report. Therefore, if we want to commit to more projects or orders of larger scale, we need to maintain and strengthen our liquidity position to ensure we have sufficient working capital for our business operations.

We intend to apply approximately HK\$12.4 million, representing approximately 16.7% of the net proceeds from the Share Offer, for financing our performance bond for our forthcoming projects or orders.

The performance bond is required by our IT products vendors, being Supplier A and Supplier G, for procuring products and services from them in the course of provision of our IT services to our customers. During the Track Record Period, there was a general increase in terms of the procurement amount from Supplier A and Supplier G, which was in line with the growth of our business scale.

Despite the U.S. Ban will reduce sales of U.S. originated products and services provided by Supplier A to Customer A, our Group had still experienced the shortfall of performance bonds for certain months during the Track Record Period. The trade payable balance from Supplier A and Supplier G for certain months (after excluding the relevant balances generated from the transactions in relation to Customer A's sales) exceeded the maximum credit limit from them guaranteed by the performance bonds ("**the Shortfall of Performance Bonds**"). Therefore, the additional performance bonds should be required for the abovementioned exceeded trade payable balance in order to increase the credit limit with Supplier A and Supplier G for the procurement from them.

To justify the need of net proceeds from the Share Offer to maintain fund of performance bond of approximately HK\$12.4 million (equivalent to approximately RMB11.2 million), our Directors considered that the total required amount of performance bonds for Supplier A and Supplier G (i.e. the sum of (i) the actual amount of outstanding performance bonds placed at that month; and (ii) the Shortfall of Performance Bonds as mentioned above) was close to or exceeded approximately RMB11.2 million for certain months during the Track Record Period. From January 2018 to December 2019, there were 5 months that the total required amount of performance bonds was close to the expected amount of performance bonds of approximately RMB11.2 million as at those month's ends and there were 6 months that the total required amount of performance bonds exceeded the expected amount of performance bonds of approximately RMB11.2 million as at those month's ends.

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In the event that the Shortfall of Performance Bonds occurred, our Group usually had to negotiate with Supplier A and Supplier G each time to exercise their discretions to waive the requirements for performance bond and temporarily allow our Group to place further orders with them. Our Directors considered that such operational inconvenience will delay in placing the purchase orders with them and Supplier A and Supplier G would not necessarily allow such shortfall upon their requests in the foreseeable future. With the likely foreseeable economic downturn following the COV epidemic, we expect that suppliers such as Supplier A and Supplier G would more likely, in the medium to longer term, tighten their requirements on capital and settlement of their business partners, i.e. our Company than before, and therefore the enrichment of our performance bond would be essential to our daily business needs to ensure the continued supply of IT products from Supplier A and Supplier G.

Considering (i) the abovementioned increasing IT services market size in the PRC; (ii) our total purchases attributable to the products and services of Supplier A and Supplier G have increased by approximately 20.1% to RMB304.6 million for the year ended 31 December 2019 from approximately RMB253.7 million for the year ended 31 December 2018; (iii) for the two years ended 31 December 2019, our highest amount of outstanding performance bond provided for the procurement of products and services from Supplier A and Supplier G was approximately RMB12.5 million and RMB5.9 million, respectively; (iv) the total required amount of performance bonds for Supplier A and Supplier G was close to or exceeded the expected amount of performance bonds of approximately RMB11.2 million for certain months during the Track Record Period; (v) the likely foreseeable worsening of the economic environment following the COV epidemic which may lead to tightened capital requirement on us from Supplier A and Supplier G; and (vi) we expect that there will be continuous growth of demand from our customers for the products and services procured from Supplier A and Supplier G, we believe that it is crucial for us to maintain and reserve sufficient funding for our performance bond to satisfy the increasing amount of purchase orders for the products and services of Supplier A and Supplier G to support our sustainable operation and development in light of the growth of our business in the future.

OUR BUSINESS SEGMENTS AND MODELS

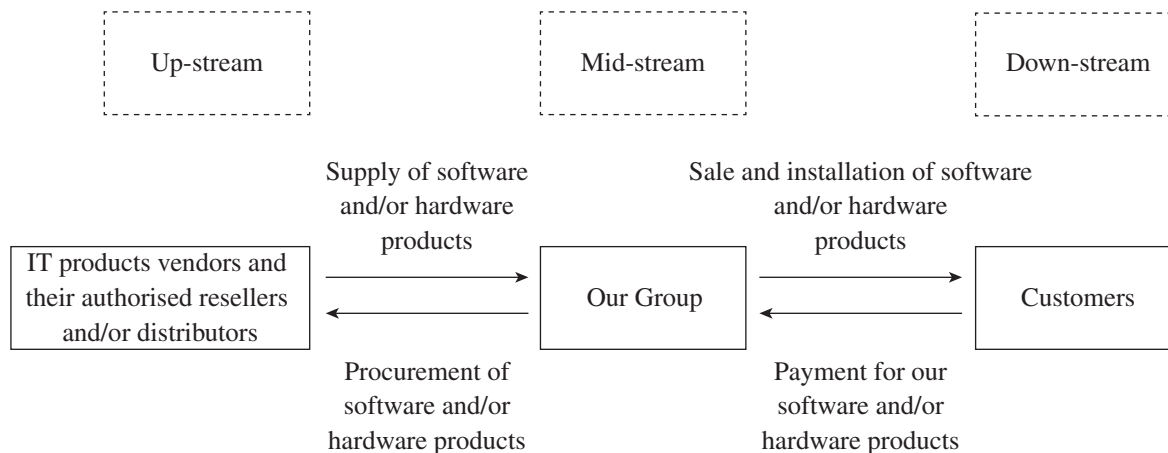
Our Business Segments

Our business consists of three segments: (i) IT infrastructure services; (ii) IT implementation and supporting services; and (iii) cloud services.

Our Business Models

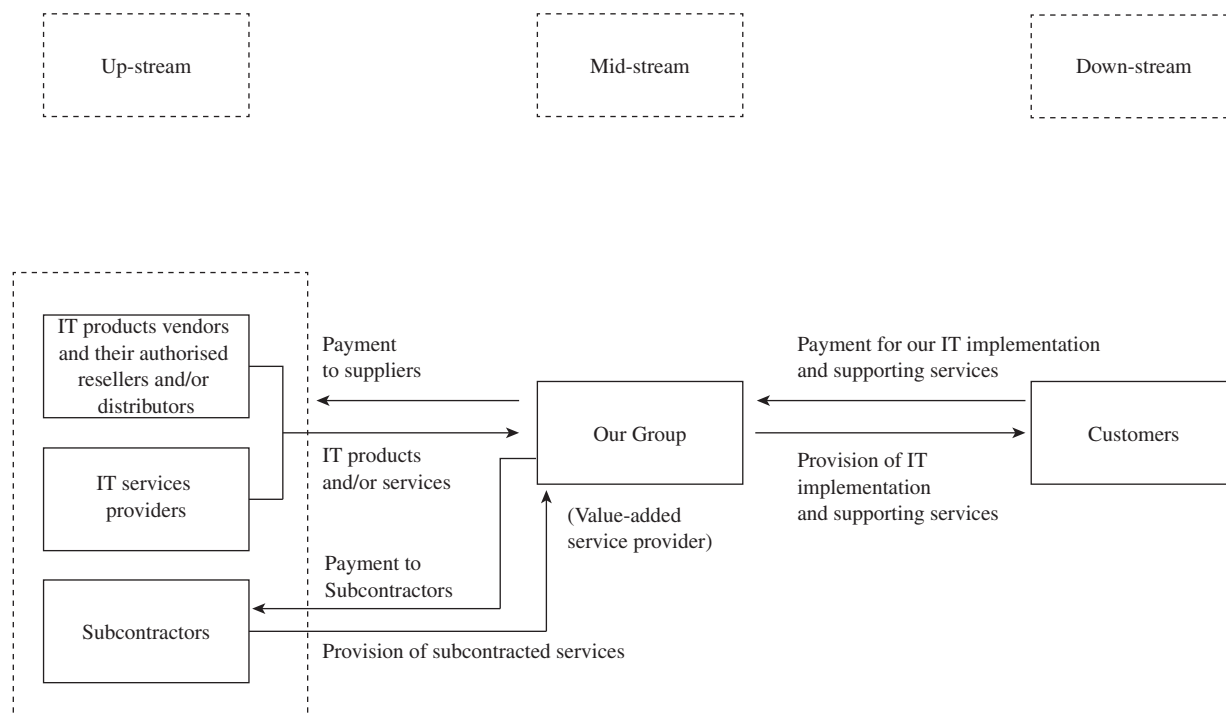
The business model of each of our business segments is summarised below:

(i). *IT infrastructure services*



We assess our customers' needs and their existing IT environment and provide our IT infrastructure services by advising them on the suitable hardware and/or software products that their IT systems would require and procuring the relevant hardware and/or software products, including but not limited to servers and routers, security software, office-related software and computers from our IT products vendors and installing these IT products in our customers' IT systems. We generally receive our service fee after delivery of our IT infrastructure services to our customers.

(ii). *IT implementation and supporting services*



BUSINESS

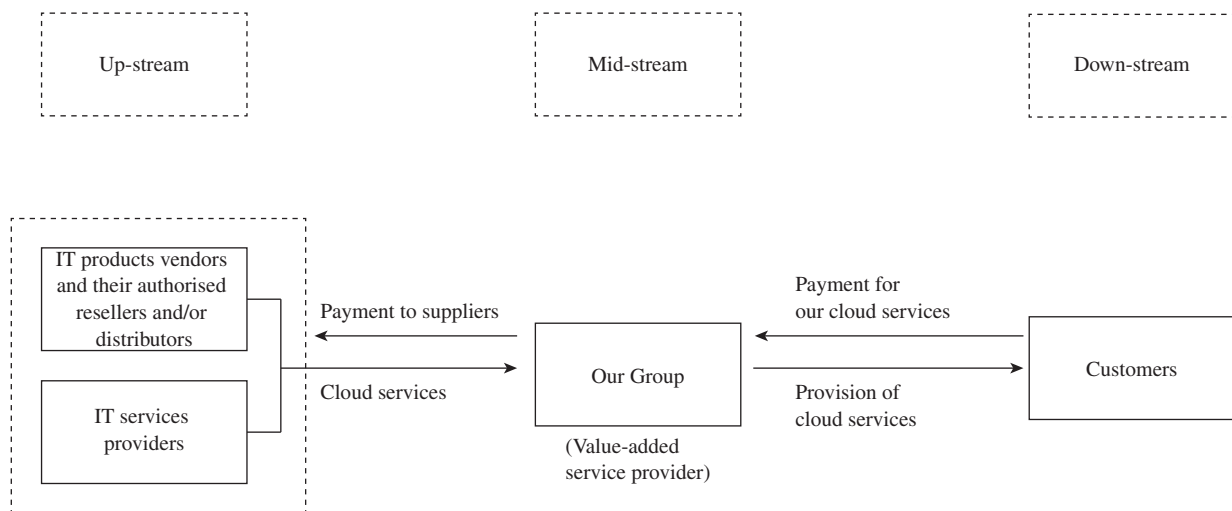
We generally provide tailor-made IT implementation and supporting services to cater for our customer's specific requirements, and our scope of services usually include (i) design of IT solutions; (ii) development and/or implementation of solution based software and hardware products; and (iii) providing technical and maintenance support services. Depending on the project requirements, we may procure the relevant IT products and/or services from the suppliers in formulating the IT solutions and advising our customers on the necessary IT products and/or services as well as the procedure for implementation and integration of these IT products and/or services into their existing IT systems.

We may subcontract certain parts of our IT implementation and supporting services such as IT services for file management, the establishment of IT services management platform and the technical and maintenance support services to other IT consultancy and services firms who act as our subcontractors so as to avoid incurring extra cost for employing a large number of staff or specialised technicians and thereby increase our flexibility in our resource management.

We generally provide our IT implementation and supporting services for a fixed service fee, taking into account the complexity and the scale of the project and manpower required. Our service fee is usually paid by instalments with reference to the payment schedule as set out in the service contracts. Our service is deemed to be completed once the customer has signed off and confirmed our user acceptance test.

Our customers may also engage us to provide certain types of our IT implementation and supporting services as a separate service engagement. For example, we may only be required by our customers to provide technical and maintenance support services, under which we will generally be responsible for upgrading and/or providing maintenance support for the IT products and/or services procured from our IT products vendors and their authorised resellers and/or distributors.

(iii). Cloud services



Our cloud services generally include offering design, management and technical support for using cloud platforms provided by us, which include our self-developed cloud platform, namely Eden Cloud, and other third party cloud platforms. Currently, our cloud platforms provide different types of cloud services to our customers, including but not limited to (i) cloud services management platform; (ii) documents sharing; (iii) cloud storage; and (iv) data migration. In addition, we provide a wide range of third party software as well as our self-developed software in our cloud platforms, through which our customers can use these software on a monthly/annual subscription basis, without paying the full price/license fees for acquiring and/or installing these software in their own IT systems. Thus, our Directors consider that the cloud services provided by our Group could enhance the working efficiency of our customers in terms of customer relationship management, product life management, enterprise resources planning, manufacturing execution system, supply chain management as well as human resources management.

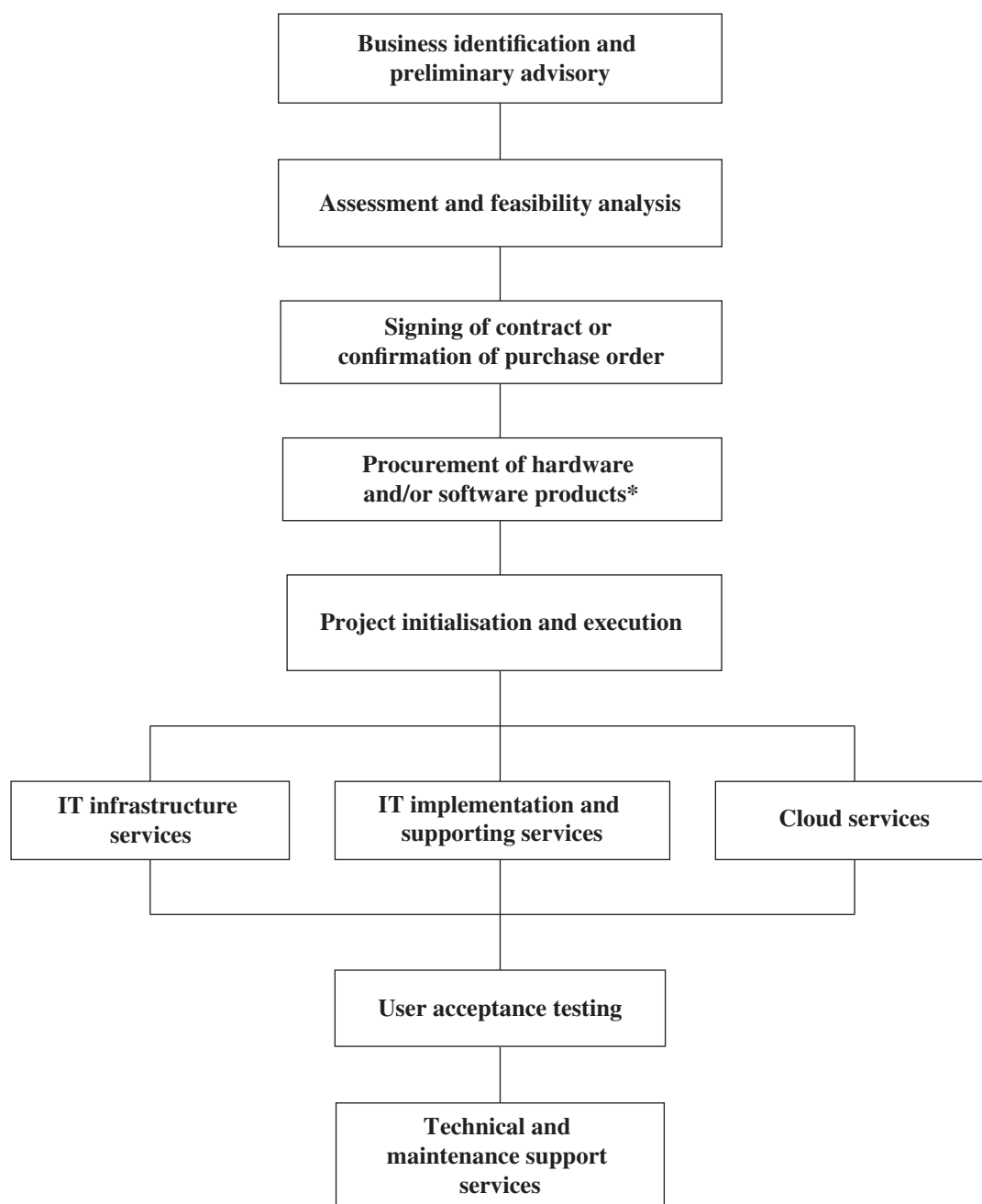
We generally charge our customers for using our cloud services over an agreed service period for a fixed service fee, which is determined taking into account our scope of work, required service level, complexity of the services required and the costs of procuring the required hardware and/or software and the use of our cloud platform resources. Our service fees are usually payable on a monthly/annual subscription basis. Our service is deemed to be completed once our service period has expired.

For the four years ended 31 December 2019, and since 1 January 2020 up to the Latest Practicable Date, the number of active customers subscribing for our cloud services amounted to 43, 81, 132, 179 and 229, for the respective periods.

During the Track Record Period and up to the Latest Practicable Date, the number of active customers, who subscribed for our cloud services, was on an increasing trend, which was in line with the increase in our revenue generated from provision of cloud services during the same periods.

OUR BUSINESS OPERATION FLOW

The following flowchart illustrates the operation flow for our (i) IT infrastructure services; (ii) IT implementation and supporting services; and (iii) cloud services. For our existing and regular customers whom we have already had solid understanding of their business models and/or requirements, we may directly procure the relevant hardware and/or software products for them, which will not involve all the steps in the operation flow set out below. Whether or not a project or a purchase order will involve all the steps in the operational flow below largely depends on our customers' requirements and types of services provided.



* Depending on the terms and requirements of each contract/purchase order, procurement of hardware and software products may not be required.

BUSINESS

Business identification and preliminary advisory

We generally identify business opportunities and potential customers through marketing events organised by our Group, our online sales platform, industry exhibitions and invitations for tender submission or fee quotation by the potential customers. At times, our existing customers and suppliers may give us referral leads. Our sales team, in collaboration with our technical team, is responsible for generating business leads from both existing and potential customers and would also take the initiative to carry out pitching and marketing efforts to attract potential customers. The following table sets forth breakdown of our revenue by direct engagement and tendering.

Approach	2016		For the year ended 31 December				2019	
	RMB'000	%	2017 RMB'000	%	2018 RMB'000	%	RMB'000	%
Direct engagement	303,972	92.9	431,065	92.0	580,247	94.8	791,888	100.0
Tendering	23,321	7.1	37,374	8.0	31,845	5.2	–	0.0
Total	327,293	100	468,439	100	612,092	100	791,888	100.0

When a potential opportunity is identified, we will discuss with the customers to assess their existing IT systems and environment, gather the information of the intended use and technical requirements from the customers, and advise them on the required IT services accordingly.

Assessment and feasibility analysis

Based on the requirements of our customers and other materials/information obtained from our customers, we will perform technical assessment and feasibility analysis to consider, among others, the operational efficiency and effectiveness of the proposed IT solutions, the hardware and software required to be procured from our IT products vendors, the specialised IT expertise and technical knowledge required for implementing the IT solutions, the subcontracted services, if required, and the estimated time and workforce required to deliver the relevant IT services.

Upon completion of the technical assessment and feasibility analysis, we will start to prepare our service proposal which generally includes, among others, (i) types of IT services to be provided; (ii) specifications of hardware and/or software products required; (iii) service period; (iv) unit price for each of the products and/or services provided; and (v) payment terms.

Our service proposal may also be made in the form of tendering documents or fee quotations subject to the requirements from our customers.

Signing of contract or confirmation of purchase order

After the abovementioned assessment and feasibility analysis, and provided that the IT services required from our customers are relatively straightforward, our customers can opt to sign our service contracts or directly confirm the purchase order with us. Where the required IT services are project based and of higher complexity, we will normally require our customers to enter into a service contract with detailed description of our scope of services and the key terms set out in our service proposal in order to avoid any misunderstanding.

For the salient terms of our service contracts for our IT services, please refer to the paragraph headed “Sales, Marketing and Customers” in this section.

Procurement of hardware and/or software products

For IT implementation and supporting services and cloud services, hardware and/or software procurement may not be needed. Depending on the project specifications and suitability of the available hardware and/or software in the market, our customers may request us to customise the IT implementation and supporting services or cloud services for them. As for IT infrastructure services, based on our customers' needs, we generally give advice to our customers as to which hardware and/or software best suits their purposes.

If hardware and/or software procurement is needed, we will select suitable IT hardware and/or software vendors according to our customers' specifications. In a few occasions, our customers may specify certain IT products or certain brands of IT products to be procured. Although we are not liable for the product liability incurred from the defects of the hardware and/or software supplied by our IT products vendors, we are responsible for ensuring that the products sourced conform to the system requirements of our customers.

Project initialisation and execution

For projects that may involve cooperation between different technical staff, we will usually form a project team led by a project manager who is supported by other technical staff to execute and deliver the relevant IT services. The size of the project team varies depending on the complexity and size of the relevant project:

Project manager	<ul style="list-style-type: none">• Responsible for the overall management of the project• Establish procedures and automated performance measurement criteria to monitor the technical accomplishment and project progress• Develop project management plans and quality control parameters
Technical staff	<ul style="list-style-type: none">• Responsible for system analysis and design of IT solutions• Manage the programmers• Collect and analyse the customers' IT environment and consider the necessary hardware and/or software to meet the customers' requirements• Conduct impact analysis and evaluate implementation options• Prepare data conversion code and data conversion• Inquiries to suppliers and determination of suppliers and procurement procedures and installation of hardware/software and performance testing• Develop the required software and integrate into the customers' systems

- Prepare and conduct system testing, user acceptance testing, training and quality checking
- Prepare various system/programme specifications and documentations in accordance with customers' requirements
- Provide technical support

(i). IT infrastructure services

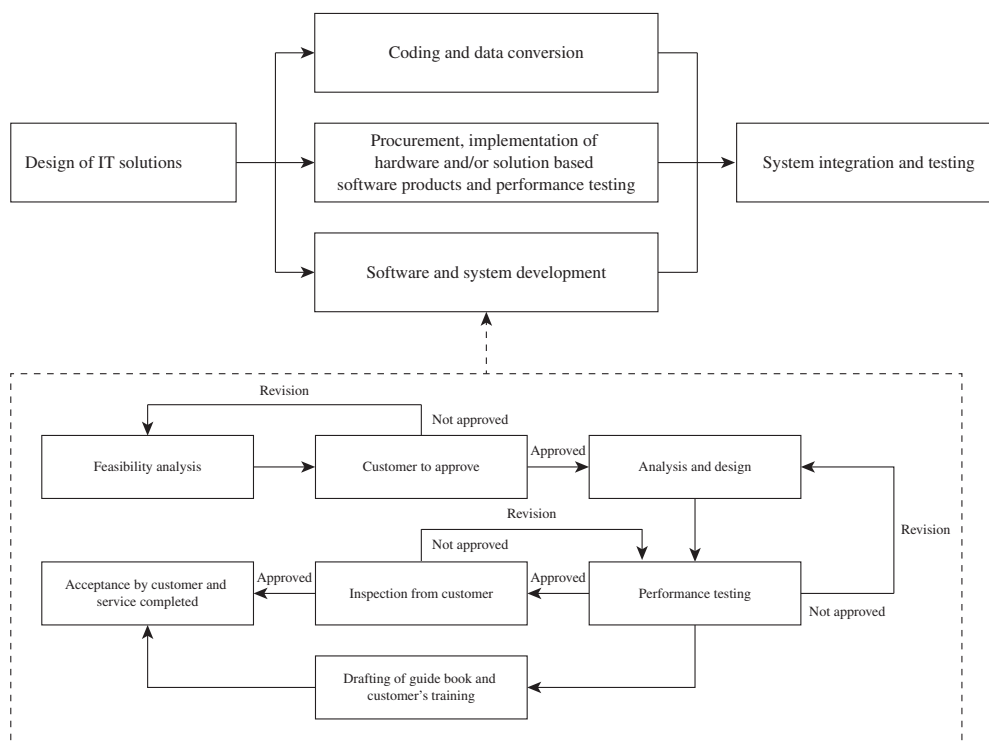
Upon receipt of the purchase order or signing of service contracts with our customers, we will check the availability of the relevant IT products and procure the relevant IT products from our IT products vendors based on the customers' needs. We will also monitor the logistics progress of the IT products in order to meet the agreed delivery time as set out in the purchase order or contract. In general, most of the IT hardware products procured by us are normally delivered to our customers directly to increase cost efficiency.

At the request of our customers, we may need to carry out installation and configuration to ensure that the hardware and/or software products procured are fit and proper.

(ii). IT implementation and supporting services

Our IT implementation and supporting services mainly comprises (i) design of IT solutions; (ii) development and/or implementation of solution based software and/or hardware products; and (iii) provision of technical and maintenance supporting services.

The following diagram illustrates the key technical steps involved in formulating the IT solutions and developing and/or implementing the software and hardware products for our customers:



Design of IT solutions

We investigate and understand the operation of our customer's existing IT system, infrastructure, functions, problems encountered and areas which need to be enhanced. Based on such analysis, we will specify the user requirements and design the system functions and data model, which may involve preparing data conversion code and converting the data necessary for system integration. Due to the sophisticated nature of the design of IT solutions, we normally conduct detailed system analysis and prepare a system analysis and design report covering (i) the functions required for fulfilling the customer's requirements; (ii) the hardware and software to be procured (if necessary); (iii) the detailed resource requirements; and (iv) other implications of the proposed system. We also highlight the effects and the benefits of the proposed system on our customer's business as well as conducting a cost and benefit analysis to evaluate the cost effectiveness of the proposed system. The system analysis and design report will not only serve as an internal reference within our project team, but also be sent to our customers for their consideration. We will then schedule the implementation plan and seek technical approval or endorsement from our customers.

Procurement, implementation of hardware and/or solution based software products and performance testing

Depending on the specific requirements of the projects, we procure the necessary IT products which support the functions required to fulfil our customers' requirements. In addition, we will carry out configuration and testing to ensure that the IT products procured are fit and proper. We then configure and customise the IT products in accordance with our customers' requirements and specifications. Thereafter, we perform functional testing to ensure that the customised IT products will not crash and perform data migration for integration into our customers' existing IT systems.

Software and system development

There are mainly two types of software development projects: (i) projects that require us to ride on existing hardware and/or software, which means based on the basic framework of the hardware and/or software procured from our suppliers, we moderate, revise and formulate additional system that fits our customers' needs; and (ii) projects that require us to develop the tailor-made system based on the project specifications.

We will implement the IT solutions based on the findings in the system analysis and design report. Physical deployment and installation of the necessary hardware will be planned. Programme code is written and/or modified based on the design, specifications and development standards. If changes are required with respect to the agreed scope and plan, a change request form will be sent to and agreed with our clients during the course of our projects with additional charge for any expanded scope of work. During the software development process, we also conduct unit testing, during which small testable parts of an application will be individually and independently scrutinised to ensure proper operation.

System integration and testing

We assemble different hardware and software components required for setting up the IT system and develop the control procedures and conduct functional testing. Thereafter, we conduct system integration testing, during which various hardware and software components that compose the system are tested together. Several tests including but not limited to installation test, simulation test and function test will be conducted to determine if the assembled system installed is fit and proper and whether such assembled system will crash with our client's system and serve the intended purposes. If any defects or problems are found during the tests, we will provide support and fix the defects. We record and rectify any defects or issues encountered during the system integration testing.

(iii). Cloud services

Our cloud services generally include offering design, management and technical support for using cloud platforms provided by us which include our self-developed cloud platform, namely Eden Cloud, and other third party cloud platforms. Currently, our cloud platforms provide different types of cloud services to our customers, including but not limited to (i) cloud services management platform; (ii) documents sharing; (iii) cloud storage; and (iv) data migration.

Based on our assessment and feasibility analysis, if required, we generally recommend the required cloud services and platforms to serve our customers. Considering our client's requests, we can provide a wide range of third party software as well as our self-developed software on our cloud platforms, through which our customers can use these software on a monthly/annual subscription basis.

1. Self-developed software

As at the Latest Practicable Date, we provide 57 types of software to our customers through our platforms. Set out below are the major self-developed software we provided to our customers through our cloud platforms during the Track Record Period:

Types of software	Functions and features
Eden icloud software V1.0* (伊登Eden icloud軟件V1.0)	Provide documents storage and sharing platform for enterprises
Eden cloud extra assistance software V1.0* (伊登雲郵大附件助手軟件V1.0)	Provide data migration function by email for enterprises
Eden corporate office system V1.0* (伊登企業辦公系統V1.0)	Provide office management tools, database and file system, know-how template and human resources management tools for enterprises
Eden CRM customer management system V1.0* (伊登CRM客戶管理系統V1.0)	Provide tailor-made internal customer relationship management system for enterprises developed based on the cloud platform provided by the Supplier A
Eden office sharing management system V1.0* (伊登文檔共享管理系統V1.0)	Provide documents sharing function within the enterprises
Eden facial identification system V1.0* (伊登人臉識別系統V1.0)	Provide facial identification services for customers
Eden Citrix Virtue desktop portal & back office operation management platform V1.0* (伊登Citrix虛擬桌面Portal&後台運營管理平台V1.0)	Provide technical and supporting services for customers to increase their user experience
Cross platform mail large attachment assistant software V1.0* (跨平台郵件大附件助手軟件V1.0)	Provide large attachment mail supporting services for enterprises developed based on the cloud platform provided by the Supplier A
Cloud desktop management assistant software V1.0* (雲桌面管理助手軟件V1.0)	Provide simple technical and supporting services for customers to increase their user experience
SaaS back platform management system V1.0* (SAAS後台管理系統V1.0)	Provide network disk function for enterprises

2. *Third party software*

Set out below are the third party software we provided to our customers through our cloud platforms during the Track Record Period:

Types of software	Functions and features
Office-related software of Supplier A	Provide comprehensive office-related functions, among others, software, enterprises mailbox and online video conference for enterprises
Cloud computing platform of Supplier A	Provide flexible and timely data management functions for enterprises
Multimedia function related cloud services software	Provide multimedia functions and applications, including but not limited to photograph editing, video formatting and design of websites
Virtual data centre related cloud services software	Provide functions for, among others, virtual data centre and cloud services
Protection function related software	Provide online protection functions for the cloud data and local data
Management, connection and protection based software	Provide management, connection and protection based on solutions of one IT products vendor
Comprehensive cloud based software	Provide comprehensive cloud services system for enterprises
Data search function related software	Provide data search functions

User acceptance testing

During the user acceptance testing, our customers will test the assembled system to determine whether it can handle the required tasks and functions in accordance with the specifications. The user acceptance test may need to be performed multiple times. The user acceptance testing ensures that the IT services provided by us satisfy our customers' needs and requirements. Some of our customers will issue an user's acceptance report or project completion certificate after passing our user acceptance test.

Technical and maintenance support services

We offer technical and maintenance support services to our customers. For our IT solutions services, our customers will generally engage us to provide on-going technical and maintenance support services under the same set of purchase order or service contract. Occasionally, our customers will also enter into separate technical and maintenance support services contracts with us for providing technical and maintenance support services in relation to their existing IT systems or other third party IT products.

BUSINESS

If our customers encounter any problems with our IT services offered, they can contact us at our hotline and our technicians will answer their questions. If such problem cannot be resolved over the telephone or email, we may provide on-site support. Depending on customers' need, for some projects, we will assign a team of technical staff who has experience and knowledge on various IT products to provide on-site support to our customers. In addition to the assigned technical staff, we will also appoint a project manager for overseeing the quality of work of the assigned technical staff and seek feedback from our customers. Through our help-desk services, we provide telephone support, resolve application related problems and evaluate the customers' IT platforms.

If any defect is identified in the IT products, we may also liaise with the relevant IT products vendors and arrange for delivery of the hardware back to them to fix the defects or let the relevant IT products vendors fix the defect in the software.

SALES, MARKETING AND CUSTOMERS

Customers

During the Track Record Period, we provided IT services to customers from various industry sectors. Set out below is a breakdown of revenue by industry sector of our customers during the Track Record Period:

	For the year ended 31 December							
	2016		2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
TMT	213,311	65.2	329,243	70.3	381,727	62.4	475,803	60.1
Financial services	28,549	8.7	38,591	8.2	72,708	11.9	125,997	15.9
Manufacturing	48,632	14.9	56,952	12.2	78,753	12.9	53,213	6.7
Energy	6,566	2.0	20,215	4.3	13,068	2.1	41,517	5.2
Real estate	3,578	1.1	8,562	1.8	22,515	3.7	27,137	3.4
Transportation and logistics	8,395	2.6	2,727	0.6	13,904	2.3	20,659	2.6
Consulting services	1,114	0.3	3,330	0.7	5,834	1.0	17,688	2.2
Trading and retail	6,682	2.0	4,390	0.9	7,618	1.2	10,358	1.3
Property management services	22	—*	—	—	—	—	9,069	1.2
Hotel and restaurants	1,254	0.4	475	0.1	2,721	0.4	5,944	0.8
Education	3,118	1.0	1,714	0.4	8,402	1.4	1,158	0.2
Biomedicine	984	0.3	281	0.1	2,733	0.4	300	—*
Others (Note)	5,088	1.5	1,959	0.4	2,109	0.3	3,045	0.4
Total	<u>327,293</u>	<u>100.0</u>	<u>468,439</u>	<u>100.0</u>	<u>612,092</u>	<u>100.0</u>	<u>791,888</u>	<u>100.0</u>

* Less than 0.1%

Note: Others principally refer to public bodies including authorities or institutions which are established pursuant to specific statutory legislations in PRC, companies involved in design and construction related services, traveling agencies companies, etc.

During the Track Record Period, most of our revenue is generated from our IT services provided to end-users directly.

BUSINESS

The following table sets out our five largest customers for the year ended 31 December 2016:

Name of customer	Approximate years of business relationship with our Group up to 31 December 2019	Approximate aggregate contributed revenue (RMB'000)	Approximate percentage of our total revenue (%)	Principal business activities	Services provided by our Group
Customer A	10	139,953	42.8	Group companies of a leading global provider of information communications technology infrastructure and smart devices headquartered in Shenzhen, Guangdong province of the PRC	IT infrastructure services, IT implementation and supporting services, and cloud services
Customer D	13	14,222	4.3	Group companies of a Shanghai Stock Exchanges listed Chinese bank with headquarter in Shenzhen, the Guangdong province of the PRC and over 500 branches in the PRC	IT infrastructure services, IT implementation and supporting services, and cloud services
Customer B	9	14,205	4.3	A renowned Hong Kong and Shenzhen Stock Exchanges listed high-tech company in the industries related to electronics, automobiles, new energy and rail transit with 240,000 employees and 30 industrial parks over the world and revenue and market capitalisation each exceeding RMB100 billion	IT implementation and supporting services and cloud services
Customer C	4	11,227	3.4	A leading manufacturer of Chinese hotel information systems headquartered in Beijing, PRC with more than 50 subsidiaries located in major Chinese cities and overseas markets with over 3,000 employees	IT infrastructure services
Customer E	12	8,088	2.5	An IT infrastructure services provider specialising in hardware and software located in Shenzhen, Guangdong province of the PRC	IT infrastructure services
Sub-total		<u>187,695</u>	<u>57.3</u>		

BUSINESS

The following table sets out our five largest customers for the year ended 31 December 2017:

Name of customer	Approximate years of business relationship with our Group up to 31 December 2019	Approximate aggregate contributed revenue (RMB'000)	Approximate percentage of our total revenue (%)	Principal business activities	Services provided by our Group
Customer A	10	232,466	49.6	See above	IT infrastructure services, IT implementation and supporting services, and cloud services
Customer C	4	20,518	4.4	See above	IT infrastructure services, IT implementation and supporting services, and cloud services
Customer F	14	17,877	3.8	Group companies of a nuclear power producer in the PRC listed on the Stock Exchange, which is an nuclear power producers in the PRC as measured by both total installed nuclear and power generating capacity and attributable installed capacity	IT infrastructure services, IT implementation and supporting services, and cloud services
Customer D	13	14,812	3.2	See above	IT implementation and supporting services and cloud services
Customer G	12	9,949	2.1	A Shenzhen Stock Exchanges listed comprehensive securities company with headquarter in Shenzhen, Guangdong province of the PRC	IT infrastructure services, IT implementation and supporting services, and cloud services
Sub-total		<u>295,622</u>	<u>63.1</u>		

BUSINESS

The following table sets out our five largest customers for the year ended 31 December 2018:

Name of customer	Approximate years of business relationship with our Group up to 31 December 2019	Approximate aggregate contributed revenue (RMB'000)	Approximate percentage of our total revenue (%)	Principal business activities	Services provided by our Group
Customer A	10	258,852	42.3	See above	IT infrastructure services, IT implementation and supporting services, and cloud services
Customer D	13	47,593	7.8	See above	IT infrastructure services, IT implementation and supporting services, and cloud services
Customer C	4	23,571	3.9	See above	IT infrastructure services
Customer H	4	17,438	2.8	A construction technology research company located in Dongguan, Guangdong province of the PRC, which is wholly owned by an urban and rural development and living services provider in the PRC, which is listed on the Stock Exchange	IT implementation and supporting services, and cloud services
Customer I	1	16,167	2.6	A vehicle and engine manufacturer with over 6,000 employees headquartered in Changsha, Hunan province of the PRC	IT implementation and supporting services
Sub-total		<u>363,621</u>	<u>59.4</u>		

BUSINESS

The following table sets out our five largest customers for the year ended 31 December 2019:

Name of customer	Approximate years of business relationship with our Group up to 31 December 2019	Approximate aggregate contributed revenue (RMB'000)	Approximate percentage of our total revenue (%)	Principal business activities	Services provided by our Group
Customer A	10	319,643	40.4	See above	IT infrastructure services, IT implementation and supporting services, and cloud services
Customer D	13	88,271	11.2	See above	IT infrastructure services, IT implementation and supporting services, and cloud services
Customer C	4	20,981	2.6	See above	IT infrastructure services
Customer H	4	18,619	2.4	See above	IT implementation and supporting services
Customer J (北京神州數碼有限公司)	Less than one	16,991	2.1	A wholly-owned subsidiary of a Shenzhen Stock Exchange listed high-tech company in the industries related to IT network located in Shenzhen, Guangdong province of the PRC	IT infrastructure services
Sub-total		464,505	58.7		

Our legally binding contracts for our IT infrastructure services typically contain the following salient terms:

Product transfer:	We are responsible for sending the electronic license in the form of passcode and hyperlink or equivalent to the designated email address as agreed by both parties;
Payment:	We provide our services and products on a fixed price basis. Payment will generally be made after execution of the contracts and issuance of the invoices to our customers as agreed by both parties;
Product refund/return:	The customers are not entitled to refund/return the products after the transfer of the products without written permits from the IT products vendor.

BUSINESS

Our legally binding contracts for our IT implementation and supporting services typically contain the following salient terms:

Duration:	Typically from one to thirty-six months;
Payment:	We provide our services and products on a fixed price basis. For project-based work, our customers will usually pay us in accordance with the agreed payment schedule. Payment will only be made after the customer accepts and signs off each payment milestone deliverable;
Credit term:	A credit period of thirty (30) days upon the issuance of invoice will generally be granted to our customers;
Service range:	The scope of our services varies on a case by case basis;
Location for services:	Some of our contracts stipulate whether the services will be provided offsite or not;
Warranty period:	The hardware and solution based software are generally warranted by the IT products vendors;
Intellectual property:	All rights, title and interest, including without limitation, all patents, copyrights, trademarks, service marks, software, trade secrets, know-how, and any other such intellectual property rights attached to the hardware/solution based software developed by us belong to the IT products vendors; and
Liability (<i>Note</i>):	<p>Some of our contracts stipulate that we shall defend, indemnify and hold harmless the other party from and against any loss, liability or costs in connection with the agreement that:</p> <ul style="list-style-type: none">(i) arises from our negligence, wilful misconduct or breach of the agreement;(ii) relates to the injury or death of any person, loss of or damage to any property or damage to the environment; and(iii) arises from our breach of provisions of the agreement.

Note: During the Track Record Period, (i) most of the contracts we entered into with the state owned enterprises or public companies included the liability clauses; and (ii) most of the contracts we entered into with the private companies did not contain such clauses.

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Our legally binding contracts for our cloud services typically contain the following salient terms:

Duration:	Typically from one to thirty-six months;
Payment:	Our customers generally pay us on a monthly/annual subscription basis, without paying the full price/licence fees of the relevant software; and
Product transfer or service transfer:	For the licensed cloud services, we are responsible for sending the electronic license in the form of passcode and hyperlink or equivalents to the designated email address as agreed by both parties. We may need to assist our customers to activate accounts for their required cloud services on the designated official online platform or website.

During the Track Record Period, the revenue from our five largest customers accounted for approximately 57.3%, 63.1%, 59.4% and 58.7% of our total revenue for the four years ended 31 December 2019, respectively. Meanwhile, the revenue from our largest customer accounted for approximately 42.8%, 49.6%, 42.3% and 40.4% of our total revenue for the four years ended 31 December 2019, respectively.

We have maintained stable relationship with our existing customers. For the four years ended 31 December 2019, approximately 67.2%, 85.8%, 78.7% and 84.2% of our revenue was contributed by repeated customers, respectively, who have previously engaged us to provide IT services. Our Directors believe that this demonstrates the loyalty of our customers and their recognition in the quality and standard of our IT services. As at 31 December 2019, our Group has maintained business relationship ranging from less than one year to approximately 14 years with our five largest customers during the Track Record Period. In light of the increasing contributions from the repeated customers and our long-term business relationship with our major customers, our Directors expect that there will be a continuous demand for our IT services in the future.

All of our five largest customers during the Track Record Period are Independent Third Parties. None of our Directors, their close associates or any of our Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the number of issued shares of our Company) had any interest in any of our five largest customers during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, 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.

Relationship with Customer A during the Track Record Period

Our largest customer, Customer A, is a leading global provider of information and communications technology and smart devices. Currently, Customer A has more than 180,000 employees, and operates in more than 170 countries and regions, with 36 joint innovation centres and 14 R&D institutes and centres/offices in the world.

We have more than 10 years of business relationship with Customer A. Our sales to Customer A during the Track Record Period are important for the daily operation and management of Customer A. Our sales to Customer A accounted for approximately 42.8%, 49.6%, 42.3% and 40.4% of our total revenue for the four years ended 31 December 2019, respectively.

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For the four years ended 31 December 2019, the percentage of our revenue contributed by Customer A increased from approximately 42.8% for the year ended 31 December 2016 to approximately 49.6% for the year ended 31 December 2017 but decreased to approximately 42.3% for the year ended 31 December 2018, and further decreased to approximately 40.4% for the year ended 31 December 2019. There was an increase in percentage of revenue generated from Customer A for the year ended 31 December 2017, which was mainly attributable to the business growth and corresponding demand for our IT services from Customer A, whereas the decrease in the percentage of revenue generated from Customer A for the year ended 31 December 2018 was primarily due to our efforts to diversify and broaden our customer base. The percentage of our revenue contributed by Customer A decreased from approximately 42.3% for the year ended 31 December 2018 to approximately 40.4% for the year ended 31 December 2019. Our Directors consider that such decrease was mainly attributable to the U.S. Ban, and our diversification of provision of sales and services to other customers.

The following table sets forth the size of our contracts with Customer A during the Track Record Period:

	2016		For the year ended 31 December				2019	
	2017		2018		2019		2019	
	Lowest contract amount	Highest contract amount	Lowest contract amount	Highest contract amount	Lowest contract amount	Highest contract amount	Lowest contract amount	Highest contract amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Range of size of contracts with Customer A	4	9,078	1	57,885	1	61,218	1	79,493

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During the Track Record Period, Supplier A generally provides seven series of IT products and/or services to Customer A through our Group, for further details, please refer to paragraph headed “Business Activities with Customer A under the U.S. Ban – Transactions with Customer A under the U.S. Ban” in this section.

In addition, we also provide other U.S. originated and non-U.S. originated IT products and/or services to Customer A, whose functions are generally for (i) design and simulation, (ii) security-related, (iii) big data management, (iv) IT development and testing, (v) mapping and (vi) office management etc, functions of certain of such software are interchangeable but they are developed and manufactured in different countries and such software could be applied in the three business segments of our Group.

IT INFRASTRUCTURE SERVICES

Our revenue derived from Customer A through provision of Supplier A’s products and/or services increased from approximately RMB15.7 million for the year ended 31 December 2016 to approximately RMB76.8 million for the year ended 31 December 2018, primarily due to the five-year enterprise agreement we entered with Customer A in March 2017. Such revenue decreased to approximately RMB61.3 million for the year ended 31 December 2019 primarily because we provided less computer operation system and interface as well as database management system and server to Customer A in 2019.

Our revenue derived from Customer A through provision of U.S. originated products and/or services other than those of Supplier A decreased by approximately RMB10.5 million, or approximately 44.6%, for the year ended 31 December 2017 compared to for the year ended 31 December 2016, as we have reduced sales of simulation and security-related software to Customer A during the relevant year. Our revenue for the same then increased by approximately RMB24.5 million, or approximately 187.5%, for the year ended 31 December 2018 compared to for the year ended 31 December 2017, primarily because we provided more big data management, office management software and IT development and testing software to Customer A during the relevant year. Our revenue for the same for the year ended 31 December 2019 then increased by approximately RMB14.6 million, or approximately 38.8%, compared to for the year ended 31 December 2018, primarily because we provided more office management related software and IT development related software to Customer A during the relevant year.

Our revenue derived from Customer A through provision of non-U.S. originated products and/or services, increased by approximately RMB12.0 million, or approximately 21.5%, for the year ended 31 December 2017 compared to for the year ended 31 December 2016, primarily because we have provided more IT development and testing-related as well as security related software to Customer A during the relevant year. Our revenue for the same then decreased by approximately RMB26.3 million, or approximately 38.7%, during the year ended 31 December 2018, primarily because we have reduced supply of mapping, IT development and testing related software and security-related software to Customer A during the relevant year. Our revenue for the same increased by approximately RMB23.2 million, or approximately 55.8% for the year ended 31 December 2019, primarily because we have increased supply of IT development and testing related software to Customer A during the relevant year.

Our overall gross profit margin through provision of IT infrastructure services remains relatively stable for the four years ended 31 December 2019, which ranged from approximately 7.1% to 8.3% during the relevant years, primarily due to an IT infrastructure project under the five-year enterprise agreement entered in March 2017 with Customer A which has a total contract sum of approximately RMB30.6 million which have a relatively low gross profit margin.

IT IMPLEMENTATION AND SUPPORTING SERVICES

Our revenue derived from Customer A through provision of Supplier A's products and/or services decreased by approximately RMB4.4 million, or approximately 63.1%, for the year ended 31 December 2017 compared to for the year ended 31 December 2016, primarily because we had a project involving enterprise resource planning and CRM software series of Supplier A's product with total contract sum of approximately RMB2.3 million in 2016 but not in 2017. Our revenue for the same subsequently increased by approximately RMB1.4 million, or approximately 53.4%, for the year ended 31 December 2018 compared to for the year ended 31 December 2017, primarily because of three additional customer relationship management projects undertaken by our Group during 2018. For the year ended 31 December 2019, our revenue for the same decreased by approximately RMB3.5 million, or approximately 89.3%, primarily because we had a project with Customer A involving enterprise resource planning and CRM software series of Supplier A's products with contract sum of approximately RMB2.6 million for the year ended 31 December 2018 which we did not have the same in 2019.

Our revenue derived from Customer A through provision of U.S. originated products and/or services other than those of Supplier A increased by approximately RMB1.5 million, or approximately 37.2% for the year ended 31 December 2017 compared to for the year ended 31 December 2016, primarily because we provided more maintenance services as well as security-related software to Customer A during the relevant year. Our revenue for the same then remained relatively stable for the year ended 31 December 2018 compared to for the year ended 31 December 2017. For the year ended 31 December 2019, our revenue decreased by approximately RMB3.5 million, or approximately 59.0%, primarily because we did not provide office management related software and mapping related software to Customer A during the relevant year.

Our revenue derived from Customer A through provision of non-U.S. originated products and/or services remains relatively stable for the year ended 31 December 2017 compared to for the year ended 31 December 2016. Our revenue for the same then increased by approximately RMB2.4 million, or approximately 22.5%, for the year ended 31 December 2018 compared to for the year ended 31 December 2017, primarily due to the increased supply of office management and IT development and testing related software during the relevant year. For the year ended 31 December 2019, our revenue for the same increased by approximately RMB23.7 million, or approximately 185.0% compared to for the year ended 31 December 2018, primarily because of the increased supply of office management related software, IT development related software as well as security related software and big data management related software during the relevant year.

Our overall gross profit margin decreased from approximately 12.9% for the year ended 31 December 2016 to approximately 5.4% for the year ended 31 December 2017, primarily attributable to the decrease in gross profit margin from products and/or services of Supplier A because of the relatively higher gross profit margin from the aforesaid project involving enterprise resource planning and CRM software series of Supplier A's product undertaken in 2016 but not in 2017 as such project generally required on-site execution by our technician. Our gross profit margin then slightly increased to 7.0% for the year ended 31 December 2018 primarily because we had three projects for U.S. originated products and/or services other than those of Supplier A with aggregate contract sum of approximately RMB2.1 million which have relatively high profit margin because of the relatively long duration for execution of the projects. Our overall gross profit margin for the year ended 31 December 2019 remains relatively stable, compared to that for the year ended 31 December 2018.

CLOUD SERVICES

Our revenue derived from Customer A through provision of Supplier A's products and/or services are on an increasing trend from approximately RMB0.3 million for the year ended 31 December 2016 to approximately RMB63.2 million for the year ended 31 December 2018, primarily attributable to the five-year enterprise agreement we entered with Customer A in March 2017. For the year ended 31 December 2019, our revenue for the same increased by approximately RMB5.3 million, or approximately 8.4%, primarily due to the recognition of the 2019 portion of the revenue from the cloud services provided under the aforesaid five-year enterprise agreement.

Our revenue derived from Customer A through provision of U.S. originated products and/or services other than those of Supplier A decreased by approximately RMB5.8 million, or approximately 31.3%, for the year ended 31 December 2017 compared to for the year ended 31 December 2016, primarily due to the reduced supply of security related software during the relevant year. Our revenue for the same further decreased by approximately RMB7.8 million, or approximately 60.9%, for the year ended 31 December 2018 compared to for the year ended 31 December 2017, primarily because Customer A did not place orders for testing related software and placed less orders for office management related software in 2018. Our revenue for the same then further decreased by approximately RMB3.8 million, or approximately 75.2%, during the year ended 31 December 2019, primarily because we did not provide any office management related software and big data management related software to Customer A in 2019.

Our revenue derived from Customer A through provision of non-U.S. originated products and/or services increased by approximately RMB5.7 million, or approximately 125.7%, for the year ended 31 December 2017 compared to for the year ended 31 December 2016, primarily due to increase in supply of simulation as well as security related software to Customer A in 2017. Our revenue for the same further increased by approximately RMB1.7 million, or approximately 16.4%, for the year ended 31 December 2018 compared to for the year ended 31 December 2017, primarily due to increased supply of big data management related software in 2018. For the year ended 31 December 2019, our revenue for the same increased by approximately RMB20.3 million, or approximately 169.2%, primarily due to increase in supply of IT development and testing related software during the relevant year.

Our overall gross profit margin increased from approximately 6.0% for the year ended 31 December 2016 to approximately 7.4% for the year ended 31 December 2017, primarily because we have two contracts with aggregate contract sum of RMB5.7 million for our provision of U.S. originated products and/or services other than those of Supplier A because the relevant suppliers has provided discount to us. Our overall gross profit margin then decreased to approximately 5.4% for the year ended 31 December 2018, because we did not have projects with relatively high profit margin as those in 2017 mentioned before. Our overall gross profit margin for provision of cloud services for the year ended 31 December 2019 then further decreased to approximately 4.1% primarily attributable to the provision of top-up cloud services from Supplier F with relatively lower gross profit margin comparing to other types of cloud services.

Framework agreements with Customer A

We entered into framework agreement and its supplemental agreement with Customer A dated 25 November 2013 and 18 July 2016, separately (the "**Framework Agreements**"), which shall remain in full force and effective until sixty (60) days' prior written termination notice to be served from either party. Material terms of the Framework Agreements are set out below:

Credit period:	A credit period of ninety (90) days upon issuance of invoice will be granted;
Payment:	Payment will be made after the delivery of the products and/or services;

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Scope of products and/or services:	See above. The scope of products and/or services varies on a case by case basis;
Grant of licence:	Object code, source code and open source software are granted to Customer A according to the scope of intellectual property rights owned by us and restrictive conditions as agreed between the parties;
Delivery and inspection:	We are responsible for delivering the products and/or services to the designated places under DDP and Customer A is responsible for inspecting the products and/or services according to the statement of work as agreed between the parties;
Intellectual property warranty:	We represent and warrant that the products and/or services provided by us, or any part thereof, will not infringe or constitute a misappropriation of any right of any third party, including but not limited to any copyrights, patent rights, trademark rights, trade secret rights or confidentiality rights;
Hardware and software warranty:	As for the product warranty of the hardware and software, it will be warranted by the IT products vendors and the warranty period will be confirmed with the IT products vendors. As required by Customer A, we need to provide technical and maintenance support service as agreed between the parties;
Liability:	<p>We shall defend, indemnify and hold harmless the other party from and against any loss, liability or costs in connection with the Framework Agreements that:</p> <ul style="list-style-type: none">(i). arises from our negligence or wilful misconduct;(ii). relates to the injury or death of any person, loss of or damage to any property or damage to the environment; and(iii). arises from our breach of provisions of the Framework Agreements.

Our Directors confirm that our Group had been in compliance with the material terms of the Framework Agreements during the Track Record Period and up to the Latest Practicable Date.

Well-established business relationship with Customer A

Our Group has more than 10 years of business relationship with Customer A. We are one of the Customer A's long-term suppliers of office related software and their approved supplier for procurement of their necessary IT services. Throughout the years, Customer A has granted us supply support awards* (供應保障獎) in 2014 in recognition of the quality and standard of our IT services. In view of (i) the long-term business relationship; (ii) the awards granted by Customer A; and (iii) the track record of our ability to provide consistent good quality and reliable IT services to Customer A, it is considered that our Group will continue to be Customer A's supplier for their office related software in the future. Our Directors believe that our well-established relationship with Customer A is mainly due to our Group's reputation in the IT services industry, our stable business relationship with the IT products vendors such as Supplier A in the IT services industry, and the quality of our IT services as well as our after-sale services such as provision of technical and maintenance support for the IT products purchased from our Group.

Our Framework Agreements with Customer A set out the salient terms between our Group and Customer A. Although there is no minimum purchase obligations imposed on Customer A, which according to the Industry Report is a common industry practice, Customer A has been placing purchase orders with us consistently in the past 10 years. In line with the common industry practice and given the dynamic nature of the IT services industry according to the Industry Report, our Directors believe that our Group's current arrangement with Customer A offers flexibility in our operations to cater for the changes in customer demand.

Mutual and complementary reliance

According to the Industry Report, the operation and management of Customer A highly depends on the reliability and performance of office related software of Supplier A. The performance failure or defects of any office related software of Supplier A would affect the entire or part of the business operation and management of Customer A, which can cause severe losses and interruption to them. Further, we have a proven track record of stable supply of various types of office related software of Supplier A to Customer A, coupled with our after-sale services such as provision of technical and maintenance support for the IT products purchased from our Group. As advised by Frost and Sullivan, Supplier A has adopted the sales model by engaging local authorised service providers or strategic local partners to sell and/or distribute its products and services to the end customers in the PRC. Under such sales model, Supplier A can benefit from the established local sales network and channels from the authorised service providers or strategic local partners to promote and market its products and services and thereby reduce its operational costs for setting up its own sales venues and the cost for recruitment of local staff to directly sell its products or services to the end customers in the PRC. Further, considering that (i) there are many lines of products and services offered by Supplier A; (ii) the geographic coverage of the products and services offered by Supplier A in the PRC is extremely wide with high penetration rate in the local IT services market; (iii) the substantial amount of time and cost required to be incurred by Supplier A to change its business operational model and engage themselves in direct sales to the end customers; and (iv) the industry norm of the engagement of local authorised services providers or strategic local partners by the IT products vendors to deliver their products and services to the end customers in the PRC, it is therefore unlikely that Customer A will be able to procure the products from Supplier A directly in the foreseeable future. As such, Customer A relies heavily on our Group, which is an authorised service provider of the office related software of Supplier A, to source the relevant office related software of Supplier A which can meet their requirements.

Our Directors consider that there is mutual and complementary reliance between our Group and Customer A for the following reasons:

- Our Group is one of the few business partners who has achieved the highest ranking business partner relationship (i.e. LSP) with Supplier A to provide a wide range of products and services of Supplier A in the PRC;
- Our Group is the long-term supplier to Customer A for a wide range of office related software of Supplier A which are used in their daily operation and management, and therefore any interruption to our Group's supply of these IT products will have a material adverse impact on Customer A's business operations;
- In addition to offering IT infrastructure services, our Group also provides IT implementation and supporting services and cloud services to Customer A, and therefore our Group is capable of offering one-stop IT services to Customer A and has a competitive edge over other IT services providers in the market; and

- Over the years of cooperation, we have established a comprehensive understanding of Customer A's requirements as to product types and specifications, products delivery practice as well as its general operation flow. Our Directors believe that the process of identifying and engaging new upstream supplier with comparable volume of supply could be time consuming and might result in unforeseen operational problems, potential disruptions, and risks to Customer A. Hence, our Directors are of the view that Customer A would normally prefer maintaining the existing stable business relationship with our Group.

In addition to our well-established relationship with Customer A and our mutual and complementary reliance relationship as detailed above, our Directors consider that our relationship with Customer A is unlikely to be materially adversely changed or terminated in the foreseeable future for the following reasons:

- (a) Customer A has adopted a stringent supplier selection system to assess the suitability of the suppliers based on (i) the suppliers' historical performance; (ii) quality standard of the suppliers' services and products; (iii) market reputation and branding of the suppliers; (iv) efficiency of delivery of products and services by the suppliers; and (v) the after-sale services and/or value-added services provided by the suppliers. Our Group has been admitted to the approved list of suppliers of Customer A as we have proven to be able to satisfy these stringent requirements and criteria set by Customer A and have been providing stable and customised IT services to Customer A since 2009 and had not received any material complaint from Customer A on our IT services during the Track Record Period and up to the Latest Practicable Date. With (i) our strong technical knowledge in the IT services industry; (ii) our expertise in the application and integration of Supplier A's office-related software in the IT infrastructure owned by Customer A; and (iii) our experience in developing IT solutions and related services based on Customer A's IT environment, it is unlikely for us to be terminated or replaced by other suppliers due to the high threshold imposed by Customer A on its suppliers;
- (b) Our Group is the principal supplier to Customer A for office-related software of Supplier A which is widely used in Customer A's daily operation, and thus the cessation of our Group's supply of these IT products to Customer A will have a material adverse impact on Customer A's business operation. Based on our understanding from Customer A, we are one of the top key suppliers of Customer A because of the consistently reliable and high quality IT products and services provided by our Group;
- (c) In light of our well-established relationships and strategic partnerships with our major suppliers which include internationally renowned IT products vendors, in particular, as LSP, gold certified partner and authorised device reseller of Supplier A, we are able to procure a wide variety of IT products from these IT products vendors at lower costs or discounted rates with reference to our Group's rankings and partnerships with them. As such, our Directors consider that our Group is well-positioned to provide reliable, technologically advanced and high quality IT products and services to Customer A at a competitive price while maintaining our profitability; and
- (d) Attributed to our IT expertise and R&D capabilities, we also provided various customised and value-added services such as providing advice on the purchases and upgrading of software and hardware which can be applied and integrated into Customer A's IT environment and working collaboratively with Customer A to devise customised IT solutions which serve their needs and requirements. Our Directors are of the view that this kind of collaboration, which help optimise and improve the performance of Customer A's IT system and infrastructure, reinforces the long-term cooperative relationship between Customer A and us.

Based on the reasons set out above, it is expected that our Group will continue to be engaged by Customer A as one of its key suppliers for procurement of office-related software of Supplier A in the foreseeable future. Our Directors also consider that it would be unduly burdensome and difficult for Customer A to seek alternative suppliers given the inherent and operational risks associated with the introduction of new supplier, the lengthy selection process, the strict quality standard adopted by Customer A and the additional time required by the new supplier to familiarise themselves with the IT infrastructure environment of Customer A.

Continuity of business relationship with Customer A

In view of the market position and business growth of Customer A, save for the potential impact due to the U.S. Ban as more particularly disclosed in the paragraph headed “Business Activities with Customer A under the U.S. Ban” in this section below, it is unlikely that the demand for IT services from Customer A will decrease significantly in the near future. As such, we expect that our sales to Customer A will maintain a steady growth, or at least remain stable over the next few years in light of our long-standing mutually reliant business relationship with Customer A and the quality of our IT services.

Ability to reduce reliance on Customer A

According to the Industry Report, the rapid economic growth in China has stimulated development of all industries, in particular the financial services industry and the telecommunication industry. Further, in recent years, the Chinese government has enacted many favorable policies to support rapid and stable development of IT services industry. For example, the State Council has released Several Policies on Encouraging the Development of the Software Industry and Integrated Circuit Industry (《關於鼓勵軟件產業和集成電路產業發展的若干政策的通知》) and a further circular on the same issued in 2000 and 2011, respectively, which boosted the growth of IT services. In addition, in 2013, State Council issued Notice on the Strategy and Implementation Plan of “Broadband China” (《“寬帶中國”戰略及實施方案》), which supports the construction and improvement of infrastructure for IT services industry. In 2017, the Chinese government made clear strategies for the cloud computing industry through the Three-year Action Plan for Cloud Computing (2017-2019) (《雲計算發展三年行動計劃(2017-2019年)》), with the aim of enhancing technological level and wider application of cloud computing, improving regulations and industry standards. At the same time, local governments also introduce regulations and policies based on their local conditions. Therefore, driven by the PRC policy initiatives, IT services market in China will continue to grow. The growth in these industries and the favourable government policies are driving an increasing demand for IT support and services from external parties.

For the year ended 31 December 2018, revenue from provision of IT services to customers in the TMT and financial services industry ranked the first and the third place respectively in terms of contribution to our revenue. For the year ended 31 December 2019, revenue from provision of IT services to customers in these two industries continued to play an important part of our business and ranked the first and second place, respectively, in terms of contribution to our revenue. According to the Industry Report, as these industries are generally more sophisticated in their business operations, it is expected that they would require more complicated IT solutions and therefore the corresponding hardware and software provision and advice. As we have developed well-established relationship with customers in these industries in the past, our Directors believe that we are in a better position to understand and foresee their needs in terms of IT services and create better value for them during the provision of our IT services. As such, we believe that we would be in a more advantageous position to compete against our competitors if we decide to explore more business opportunities with the customers in these industries.

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Our Group intends to adopt the following measures in order to reduce/mitigate our reliance on Customer A, which are in line with our business development strategies:

- Diversify and expand our customer base;
- Expand our business operation coverage in the PRC by setting up branch offices in Shanghai and Guangzhou;
- Market and introduce our IT services to customers in other industries; and
- Identify new business opportunities and further expand our cloud services.

For further details of our business strategies, please refer to the paragraph headed “Our Strategies” in this section.

BUSINESS ACTIVITIES WITH CUSTOMER A UNDER THE U.S. BAN

Background of the U.S. Ban on Customer A

On 16 May 2019, the U.S. Department of Commerce, Bureau of Industry and Security (“**BIS**”) imposed the U.S. Ban on Customer A by placing it and certain non-U.S. affiliates of Customer A on the so termed “Entity List”. The Entity List identifies “persons reasonably believed to be involved, or to pose a significant risk of being or becoming involved, in activities contrary to the national security or foreign policy interests of the United States”.

As confirmed by the U.S. Legal Advisers, any companies, whether they are located within or outside of the U.S., and therefore including our Group, are prohibited from exporting, re-exporting, or transferring any commodity, software, or technology (“**Items**”) that are subject to the United States Export Administration Regulations, 15 C.F.R. Parts 730-774 (the “**EAR**”) to Customer A, unless authorised by a BIS license. Items that are subject to the EAR include: (i) any item being exported from the U.S., regardless of the item’s origin, (ii) any US-origin item wherever located, (iii) foreign-made items containing more than 25 percent controlled US-origin content and (iv) foreign-made items directly produced using certain controlled U.S.-origin software, technology, or major plant or equipment located abroad. As such, all products and services which are exported from the U.S. or are of U.S. origin, including but not limited to the IT products and software procured by our Group from Supplier A, are subject to the U.S. Ban and the relevant licensing requirements.

Transactions with Customer A under the U.S. Ban

IT services involving the use of Supplier A’s products and services

After the announcement of the U.S. Ban and up to the Latest Practicable Date, our Group suspended the provision of IT services involving the use of Supplier A’s IT products and services to Customer A until the relevant licenses authorising the supply have been obtained by Supplier A from BIS.

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During the Track Record Period, the aggregate revenue generated from provision of IT services involving the use of Supplier A's products and services to Customer A amounted to approximately RMB23.0 million, RMB112.4 million, RMB144.0 million and RMB130.3 million, representing approximately 16.5%, 48.3%, 55.6% and 40.8% of the total revenue derived from Customer A, respectively. Our gross profit margin derived from Customer A for the year ended 31 December 2019 compared to for the year ended 31 December 2018 remains the same primarily due to Customer A increased its purchase volume of IT infrastructure products from Supplier A before the imposition of the U.S. Ban in May 2019, and Customer A was unable to purchase products from Supplier A (unless Supplier A has obtained licenses from BIS) thereafter. The relevant Supplier A's IT products and services provided by our Group to Customer A can be categorised into seven series of IT products and services, which comprise (i) computer operation system and interface; (ii) office related software server, (iii) database management system and server; (iv) office related software; (v) cloud based software and platform; (vi) computer programs development software; and (vii) enterprise resource planning and CRM software. The seven series of Supplier A's products and services can either be provided to Customer A on a stand-alone basis in one of our three business segments or can be provided in combination with other products and services across different business segments of our Group depending on the compatibility of the relevant products and services.

To the best knowledge and belief of our Directors and as confirmed by the authorised representative of Supplier A, Supplier A has applied to BIS for licenses to supply the seven series of IT products and services to Customer A through our Group, and Supplier A has only obtained the CDN License under the series of cloud based software and platform from BIS on 2 August 2019, which allows Supplier A to provide CDN related services under the series of cloud based software and platform to our Group for resale to Customer A. As confirmed by the authorised representative of Supplier A, there is no expiry date set out in the CDN License and our Group can rely on the license obtained by Supplier A to provide CDN related services under the series of cloud based software and platform which are covered by such license to Customer A. On this basis, on 30 October 2019, we entered into a CDN services framework agreement with Customer A, to provide CDN services developed by Supplier A to Customer A based on the CDN License for a term of three years. We only started to provide CDN related services since October 2019. From 30 October 2019 and up to the Latest Practicable Date, the aggregate amount of Customer A's purchase orders for CDN services was approximately RMB4.8 million.

With respect to the other BIS licenses that Supplier A has informed us that it has applied for to cover all the products and services (except for CDN related services) under the series of IT products and services to be supplied to our Group for sales to Customer A, our Group shall resume the provision of these Supplier A's IT products and services to Customer A once the relevant licenses have been granted by BIS to Supplier A authorising the continued supply of such products and services by our Group to Customer A.

As advised by the U.S. Legal Advisers, in reviewing specific license applications, BIS will conduct a complete analysis of the license application along with all documentation submitted in support of the application, taking into account of a wide range of factors, such as the item and end-use, the reliability of each party to the transaction, the levels of risks to U.S. national security and foreign policy and any available intelligence information. Subject to exceptions, all license applications will generally be resolved or referred to the U.S. President no later than 90 calendar days from the date of BIS's registration of the license application.

Our Directors consider that the relevant IT products and services procured from Supplier A by our Group to Customer A are mainly for office use and are easily accessible by the general public and therefore these IT products and services shall not pose any significant risk or threat to the U.S. national security. Further, the authorised representative of Supplier A confirmed to our Group that it has applied to BIS for licenses to supply all seven series of IT products and services to Customer A through our Group and BIS has already granted the CDN License and will continue to review other pending applications from Supplier A for provision of other Supplier A's products and services to Customer A.

IT services involving U.S. exported or origin products and services other than those produced by Supplier A

After the announcement of the U.S. Ban and up to the Latest Practicable Date, our Group suspended the provision of IT services involving the use of U.S. exported or origin products and services in addition to those produced by Supplier A to Customer A and will continue such suspension until and unless applicable licenses have been obtained by the affected suppliers from BIS authorising the continued supply of such products and services by our Group to Customer A.

During the Track Record Period, the aggregate revenue generated from provision of IT services involving U.S. exported or origin products and services other than those produced by Supplier A to Customer A amounted to approximately RMB46.2 million, RMB31.4 million, RMB48.5 million and RMB55.7 million, representing approximately 33.0%, 13.5%, 18.7% and 17.4% of the total revenue derived from Customer A, respectively.

As at Latest Practicable Date, our Group has not been informed by the affected suppliers that they were in the process of applying the relevant license or has already obtained the same from BIS.

Our Group will resume the provision of IT services involving U.S. exported or origin products and services in addition to those produced by Supplier A to Customer A once the relevant licenses have been obtained by the affected suppliers from BIS authorising the continued supply of such products and services by our Group to Customer A.

IT services involving non-U.S. exported or origin products or services

After the announcement of the U.S. Ban and up to the Latest Practicable Date, the only products and services that we have continued to supply to Customer A (i) are of non-U.S. origin, (ii) have not been supplied to our Group from the U.S., (iii) contain less than 25 percent controlled U.S.-origin content and (iv) are not foreign-made items directly produced using certain controlled U.S.-origin software, technology, or major plant or equipment located outside of the U.S. (e.g. in China).

During the Track Record Period, the aggregate revenue generated from provision of IT services involving the use of non-U.S. products and/or services to Customer A amounted to approximately RMB70.7 million, RMB88.7 million, RMB66.4 million and RMB133.6 million, representing approximately 50.5%, 38.1%, 25.7% and 41.8% of the total revenue derived from Customer A, respectively. Since the announcement of the U.S. Ban and up to 31 December 2019, our revenue generated from the sales of non-U.S. products and services to Customer A amounted to approximately RMB87.3 million, representing approximately 100.0% of the total revenue derived from Customer A for the same period.

As confirmed by the U.S. Legal Advisers, our Group's provision of IT services involving non-U.S. exported or origin products and/or services shall not be subject to the U.S. Ban or the relevant licensing requirements. Accordingly, notwithstanding the U.S. Ban, our Group can and will continue to provide IT services involving non-U.S. exported or origin products and/or services to Customer A.

Measures taken by our Group to mitigate the impact by the U.S. Ban

We have taken the following measures to minimise and mitigate the impact by the U.S. Ban:

- (i) In respect of the IT services involving the use of Supplier A's products and services, we will focus on the sales and marketing of Supplier A's products and services which are covered by the licenses granted by BIS. On 30 October 2019, we have entered into a CDN services framework agreement with Customer A (the "**CDN Agreement**").

Term of the CDN Agreement:	Three years
Details of service:	We provide cloud-based CDN services developed by Supplier A to Customer A based on the CDN License
Service fee:	To be charged based on the actual usage of the CDN service (in GB) by Customer A per month in line with the fixed charge-out rates as set out in the agreement. Upon expiring the first year of the contract term, Customer A may review and adjust the charge-out rate based on the actual usage.
Any minimum usage:	Usually Supplier A would enforce a minimum amount of usage on service subscriber, whereas Customer A is exempted from such requirement.
Termination:	Either contractual party may give the other party 30 days' written notice

On 31 October 2019, we received the first purchase order for CDN services from Customer A pursuant to the CDN Agreement. Since 30 October 2019 and up to the Latest Practicable Date, the amount of the purchase order for CDN services from Customer A was approximately RMB4.8 million. During November 2019 to January 2020, Customer A's usage of the CDN services developed by Supplier A was relatively low because Customer A was migrating its data from the system developed by its previous CDN services provider to the CDN service system developed by Supplier A. As the transition of Customer A's CDN services system was completed by the end of January 2020, we believe that Customer A's usage of our CDN services developed by Supplier A will gradually increase.

In addition, as confirmed by the authorised representative of Supplier A, Supplier A has already applied to BIS for licenses to cover all other six series of IT products and services to be procured by us to Customer A. Our Directors and sales team also have regular discussion and conference with Supplier A to understand the latest status and development of the license applications submitted by Supplier A. We will resume the provision of these Supplier A's IT products and services to Customer A once the relevant licenses have been granted by BIS.

- (ii) In relation to the IT services involving U.S. exported or origin products and/or services in addition to those produced by Supplier A, we will provide all necessary assistance to support and facilitate the suppliers affected by the U.S. Ban to prepare the applications for licenses from BIS so as to allow the affected suppliers and our Group to continue to provide the relevant U.S. products and services to Customer A.

After the announcement of the U.S. Ban and up to the Latest Practicable Date, we have taken initiatives to conduct market survey focusing on the impact of the U.S. Ban on the U.S. suppliers as well as other suppliers affected by the U.S. Ban, and proactively consult and provide them with regulatory updates on the U.S. Ban and information regarding the procedure and requirements for application for license from BIS so as to encourage them to apply for license from BIS and resume to provide U.S. products and services to Customer A.

Our Directors, together with the sales manager of Customer A, have also held regular meetings and conferences with the U.S. suppliers as well as other suppliers affected by the U.S. Ban in order to address their enquiries and concerns in relation to the effect of the U.S. Ban and share our experience from working with Supplier A to provide CDN related services to Customer A based on the CDN License. Our Directors consider that these meetings and conferences will enable the U.S. suppliers as well as other suppliers affected by the U.S. Ban to get a better understanding of the development of the U.S. Ban and the mechanism of granting licenses by BIS, and thereby motivate them to apply for license from BIS in order to resume provision of U.S. products and services to Customer A.

- (iii) During the Track Record Period, there was an increasing demand for IT services involving non-U.S. exported or origin products and services from Customer A. As such, we will strategically strengthen our cooperation and partnership with suppliers providing non-U.S. exported or origin products and services, and provide internal training and seminars to update our staff with the latest industry trend and development of the non-U.S. exported or origin products and/or services in order to strengthen our sales and marketing capabilities for promoting and selling different types of non-U.S. exported or origin products and services to Customer A. Leveraging on our long-term business relationship with and our understanding of the demands of Customer A, our Directors believe that we should be able to procure purchases of suitable non-U.S. exported or origin products and/or services to meet the needs and requirements of Customer A in view of the restrictions and license requirements on the procurement of Supplier A's and other affected U.S. suppliers' products and/or services under the U.S. Ban.
- (iv) During the Track Record Period, there was a steady increase of our revenue generated from other customers (excluding Customer A). For the four years ended 31 December 2019, the aggregated revenue generated from other customers (excluding Customer A) amounted to approximately RMB187.3 million, RMB236.0 million, RMB353.2 million and RMB472.2 million, respectively. As such, we have demonstrated our capability in developing business relationships with other customers and our Directors consider that the increase in sales to other customers (excluding Customer A) can mitigate the impact of our reduced sales to Customer A due to the U.S. Ban, given that our Group generally recorded higher profit margin for the sale of products and/or services to other customers as compared to those sold to Customer A.

- (v) Given that the U.S. Ban is intended to target Customer A only, we will further strengthen our sales and marketing efforts to attract other potential and new customers in different regions in the PRC across different industry sectors. In line with our business strategies, we will set up new branch offices in Shanghai and Guangzhou to capture the local business opportunities and enable our Group to satisfy the tendering requirements for providing IT services to the potential and new customers located in Shanghai and Guangzhou, and the regions nearby. In addition, according to Frost & Sullivan, enterprised cloud service market in China is forecasted to have a CAGR of 25.2% during 2019 to 2023, hence we will also continue to strengthen and develop our R&D and IT services capabilities and further expand our cloud services, which in turn will enable our Group to maintain our competitiveness and increase our market share in the IT services industry. In particular, we intend to further expand and develop our IT services based on our cloud platforms which include, among others, cloud storage, data transmission, cloud platform management, AI-based customer's services, facial recognition assistance tool, corporate asset management system, product quality control system and external surface measurement tool, which can be provided to our customers.
- (vi) We will continue to carefully monitor the development of the U.S. Ban and seek legal advice as necessary for the continued compliance of the U.S. Ban. To the extent that Customer A is removed from the U.S. Ban in the future, our sales of U.S. exported or origin products to Customer A will no longer be subject to licencing approval.

Our undertakings and internal control procedures

We undertake to the Stock Exchange:

- (i) that we will not use the proceeds from the Share Offer, or any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or transactions which are prohibited under the U.S. Ban and/or other sanctions to be imposed by the regulatory authorities on Customer A;
- (ii) that we will not enter into transactions with Customer A that would expose us or the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors to risks of violation of the U.S. Ban and/or other sanctions to be imposed by the regulatory authorities on Customer A;
- (iii) to disclose on the respective websites of the Stock Exchange and our Company if we believe that the transactions that our Group entered into with Customer A would put us or our Shareholders and investors at risks of violation of the U.S. Ban and/or other sanctions to be imposed by the regulatory authorities on Customer A; and
- (iv) to disclose in our annual reports or interim reports our efforts in monitoring our business exposure to the U.S. Ban and/or other sanctions to be imposed by the regulatory authorities on Customer A, the status and our future business intention with Customer A which may be subject to the U.S. Ban and/or other sanctions to be imposed by the regulatory authorities on Customer A. If we are in breach of such undertakings to the Stock Exchange, we risk the possible delisting of our Shares on the Stock Exchange.

To monitor our exposure to the U.S. Ban and/or other sanctions to be imposed by the regulatory authorities on Customer A and ensure compliance with undertakings to the Stock Exchange, we have adopted the internal control measures, including measures recommended by the internal control consultant, as described below:

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- We have established an internal control committee. The members of such committee comprise Ms. Li Yi and Ms. Peng Dongping, both are our executive Directors and their responsibilities include, among others, monitoring our exposure and implementation of the related internal control procedures for compliance with the U.S. Ban and/or other sanctions to be imposed by the regulatory authorities on Customer A. Our internal control committee will hold regular meetings to monitor our exposure to the U.S. Ban and/or other sanctions to be imposed by the regulatory authorities on Customer A and will report to the Board as soon as practicable after each such meeting;
- We will evaluate the relevant risks of violation of U.S. Ban and/or other sanctions to be imposed by the regulatory authorities on Customer A prior to determining whether to embark on any business opportunity or entering into transactions with Customer A. According to our internal control procedures, the internal control committee needs to review and approve all relevant business transaction documentation connected with Customer A. The internal control committee will check the subject products and/or services against the restrictions under the U.S. Ban and/or other sanctions to be imposed by the regulatory authorities on Customer A. If any potential violation of the U.S. Ban and/or other sanctions to be imposed by the regulatory authorities on Customer A is identified, we will seek advice from an external legal counsel with the necessary expertise and experience in international sanction law matters;
- In order to ensure our compliance with these undertakings to the Stock Exchange, the internal control committee will continuously monitor the use of proceeds from the Share Offer, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or transactions which are prohibited under the U.S. Ban and/or other sanctions to be imposed by the regulatory authorities on Customer A;
- Our internal control committee will periodically review our internal control policies and procedures with respect to the U.S. Ban and the related sanctions matters and report to our Board thereon. As and when the internal control committee considers necessary, we will retain an external legal counsel with the necessary expertise and experience in international sanction law matters for recommendations and advice; and
- If necessary, an external legal counsel will provide training in relation to the U.S. trade control restrictions to our Directors, senior management and other relevant personnel to assist them in evaluating the potential risks of violation of the U.S. Ban and/or other sanctions to be imposed by the regulatory authorities on Customer A in our daily operations.

Taking into consideration the internal control measures set out above, our Directors and the Sole Sponsor are of the view that these measures will provide a reasonably adequate and effective internal control framework to assist us in identifying, monitoring and mitigating any material risk relating to U.S. Ban and/or other sanctions to be imposed by the regulatory authorities on Customer A so as to protect the interests of the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders, potential investors and us.

In addition to the compliance with the U.S. Ban and/or other sanctions to be imposed by the regulatory authorities on Customer A, our internal control committee is responsible for ensuring our ongoing compliance with all relevant rules sanctions and regulations applicable to our business operation. Other compliance issues relating to our Group which include but not limited to, legal compliance, financial reporting and company secretarial matters, are handled by Ms. Li Yi, the compliance officer, and Mr. Tsoi Ka Shing, the company secretary, in accordance with the directions of the internal control committee and the Board.

Sanctions related risk management measures

To ensure our Group's ongoing compliance with the sanctions laws, (i) our legal department and finance department have issued policies on intake procedures for high-risk customers who may be subject to the sanctions imposed by the regulatory authorities, (ii) we have compiled a list of corporate entities and individuals which are subject to the sanctions imposed by the regulatory authorities to whom we shall refrain from entering into any business transactions, and (iii) our internal control committee has been in charge of carrying out such policies and supervising the implementation of these risk management measures.

Sales and marketing

As at the Latest Practicable Date, our Group's sales team had 53 team members which is led by our sales team leader, Ms. Peng Dongping, who has more than 17 years' experience in the relevant industries. The sales team is further divided into five units with focuses based on the types of businesses and services provided to our customers.

Our IT services provided to customers are mainly identified through marketing events organised by our Company, industry exhibitions and invitations for tender submission or fee quotation by the potential customers. In general, the terms of our services are directly negotiated between our sales team and technical team and our customers.

We also market our brand and services through telephone and email marketing as well as seminars, talks, workshops and trainings. Our Directors believe that these marketing activities allow us to demonstrate our Group's capabilities and build relationship with our existing and potential customers.

OUR SUPPLIERS

During the Track Record Period, our suppliers mainly consisted of IT products vendors and their authorised resellers/distributors in the PRC. Our suppliers also consisted of IT services providers and other IT consultancy and services providers who may be engaged by us to act as our subcontractors to provide certain parts of our IT implementation and supporting services.

Supplier selection

According to the Industry Report, concentration on a few suppliers is common in the IT services industry, as each IT product or service may only be offered by a small number of IT products vendors and their authorised resellers/distributors with dominating presence in the IT services industry, and as a result limiting our choice of suppliers. Prospective suppliers are identified by us based on internal information and publicly available information found on the internet and product catalogues.

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We will select suppliers based on their understanding of our requirements, costs, technical capabilities including but not limited to product capacity and adequacy of resources, the past records of experience, quality certifications and reputation. As the prices of the products and services offered by the authorised resellers/distributors generally conform with the prices in the IT products vendors' guidance price list, our procurement team members will also contact the authorised reseller/distributors selected by the IT products vendor and procure the products from them.

Procurement policies

We have implemented the following internal control policy and procedures with respect to the procurement process of IT products and services from our suppliers:

- Purchase quotations are reviewed by designated senior management member(s) based on the respective purchase amount; and
- Purchase orders are reviewed and approved by designated senior management member(s) against the project budget and/or the relevant sales order agreed with the customers before they are issued to the authorised suppliers.

Incentive programme

Supplier A has implemented incentive programmes to reward their business partners, including us, upon fulfilment of certain criteria.

Under some incentive programmes implemented by Supplier A, certain performance achievement such as total revenue generated from sales of their products and services over period of time is set. Upon fulfilling certain performance achievements, our cost of procuring IT products from them may be reduced by cash incentive depending on the programme. No compensation or penalty would be imposed on us should we fail to attain such performance achievements.

The following table sets forth the key factors to be considered by Supplier A under its incentive programmes:

For provision of cloud services:	Procurement amount of cloud services
	Net growth in procurement amount of cloud services per quarter of the year
	Number of new customers subscribed for the cloud services
For sale of hardware and software:	Procurement amount of the hardware and software
	Net growth of the new procurement amount per year
	Types of hardware and software procured

During the Track Record Period, we recognised cash incentives from Supplier A of approximately RMB0.1 million, RMB0.5 million, RMB5.7 million and RMB9.0 million for the four years ended 31 December 2019, among which, approximately RMB45,000, RMB0.4 million, RMB3.1 million and RMB5.1 million were derived from the cash incentive for procurement of cloud platform related services provided by Supplier A, respectively. The cash incentive recognised from Supplier A increased from approximately RMB0.1 million for the year ended 31 December 2016 to RMB0.5 million for the year ended 31 December 2017, which was mainly attributable to (i) the increase in the amount of procurement of cloud services for cloud storage and other software applications from Supplier A and other authorised resellers/distributors by approximately RMB68.1 million; and (ii) the increase in the amount of procurement of hardware and software for our IT infrastructure services from Supplier A and other authorised resellers/distributors by approximately RMB17.4 million.

The cash incentive recognised from Supplier A further increased to approximately RMB5.7 million for the year ended 31 December 2018, which was mainly attributable to (i) the increase in the amount of cash incentive provided by Supplier A for certain types of the cloud platform related services procured by us as a result of the promotion for cloud services and related products by Supplier A in 2018, whereas such promotion did not take place in 2016 and 2017; (ii) the increase in the amount of procurement of cloud services from Supplier A and other authorised resellers/distributors by approximately RMB48.7 million; and (iii) the increase in the amount of procurement of hardware and software for our IT infrastructure services from Supplier A and other authorised resellers/distributors by approximately RMB16.9 million.

The cash incentive recognised from Supplier A increased from approximately RMB5.7 million for the year ended 31 December 2018 to approximately RMB9.0 million for the year ended 31 December 2019, which was mainly attributable to (i) the increase in the amount of procurement of cloud platform related services from Supplier A and other authorised resellers/distributors by approximately RMB38.9 million; and (ii) the increase in the amount of procurement of hardware and software for our IT infrastructure services from Supplier A and other authorised resellers/distributors by approximately RMB6.5 million.

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The following table sets out our five largest suppliers for the year ended 31 December 2016:

Name of supplier	Approximate years of business relationship with our Group up to 31 December 2019	Approximate purchases (RMB'000)	Approximate percentage of our total purchases (%)	Principal business activities	Services/Products provided by supplier
Supplier A	16	91,922	29.7	Group company(ies) of one of the leading computer software providers headquartered in the U.S.	(i) Software and hardware for IT infrastructure services and IT implementation and supporting services; and (ii) software and platform for cloud services
Supplier B	5	14,585	4.7	One of the global leading technical and supply-chain services providers with a primary focus in the PRC	(i) Software for IT infrastructure services; and (ii) software for cloud services
Supplier C (Note)	6	8,947	2.9	A distributor of ICT technical products with parent company based in Singapore	(i) Software for IT infrastructure services; and (ii) software for cloud services
Supplier D	12	8,658	2.8	A software and information technology services provider based in Ireland	(i) Software for IT infrastructure services; and (ii) software for cloud services
Supplier E	6	8,647	2.8	A software and information technology services provider based in Guangzhou, the PRC	(i) Software for IT infrastructure services; and (ii) software for cloud services
Sub-total		<u>132,759</u>	<u>42.9</u>		

Note: Supplier C and Supplier K are both ultimately wholly owned by the same shareholder, which is an Independent Third Party.

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The following table sets out our five largest suppliers for the year ended 31 December 2017:

Name of supplier	Approximate years of business relationship with our Group up to 31 December 2019	Approximate purchases (RMB'000)	Approximate percentage of our total purchases (%)	Principal business activities	Services/Products provided by supplier
Supplier A	16	154,250	37.2	See above	(i) Software and hardware for IT infrastructure services and IT implementation and supporting services; and (ii) software and platform for cloud services
Supplier F	2	51,390	12.4	An IT solution services provider based in Hong Kong which is a subsidiary of NASDAQ listed company	Software and platform for cloud services
Supplier G	4	19,740	4.8	A wholly-owned subsidiary of NASDAQ listed company, which provides one-stop cloud computing services	Software and platform for cloud services
Supplier H (Note)	14	15,463	3.7	Shenzhen branch of the largest professional 5C distributor in Asia-Pacific, which primary focuses on integration services of high-tech industrial supply-chain	(i) Software and hardware for IT infrastructure services; and (ii) software for cloud services
Supplier I	2	7,914	1.9	A subsidiary company of the main professional manufacturer and supplier of power supply and distribution system solutions in China, which has more than 16 years of operation in China and headquartered in the U.S.	Software for IT infrastructure services
Sub-total		<u>248,757</u>	<u>60.0</u>		

Note: The credit period offered by Supplier H to our Group is guaranteed by our Controlling Shareholder which will be discontinued upon listing.

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The following table sets out our five largest suppliers for the year ended 31 December 2018:

Name of supplier	Approximate years of business relationship with our Group up to 31 December 2019	Approximate purchases (RMB'000)	Approximate percentage of our total purchases (%)	Principal business activities	Services/Products provided by supplier
Supplier A	16	206,468	36.4	See above	(i) Software and hardware for IT infrastructure services and IT implementation and supporting services; and (ii) software and cloud platform for cloud services
Supplier F	2	66,321	11.7	See above	Software and platform for cloud services
Supplier G	4	47,318	8.3	See above	Software and platform for cloud services
Supplier H (Note)	14	21,281	3.8	See above	Software and platform for IT infrastructure services and software for cloud services
Supplier J	4	13,505	2.4	A professional technical services provider headquartered in Shanghai, the PRC	Software for IT infrastructure services
Sub-total		354,893	62.6		

Note: The credit period offered by Supplier H to our Group is guaranteed by our Controlling Shareholder which will be discontinued upon listing.

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The following table sets out our five largest suppliers for the year ended 31 December 2019:

Name of supplier	Approximate years of business relationship with our Group up to 31 December 2019	Approximate purchases (RMB'000)	Approximate percentage of our total purchases (%)	Principal business activities	Services/Products provided by supplier
Supplier A	16	226,225	32.7	See above	(i) Software and hardware for IT infrastructure services and IT implementation and supporting services; and (ii) software and cloud platform for cloud services
Supplier G	4	78,411	11.3	See above	Software and platform for cloud services
Supplier F	2	74,854	10.8	See above	Software and platform for cloud services
Supplier J	4	26,532	3.8	See above	Software for IT infrastructure services
Supplier K (<i>Note</i>)	16	25,117	3.7	A distributor of ICT technical products with parent company based in Singapore.	(i) Software for IT infrastructure services; and (ii) software for cloud services
Sub-total		<u>431,139</u>	<u>62.3</u>		

Note: Supplier K and Supplier C are both ultimately wholly owned by the same shareholder, which is an Independent Third Party.

The underlying reasons for the change in the composition of our five largest suppliers during the Track Record Period are set out as follows:

- (i) Since 2017, there was a decrease in the procurement amount of IT products from Supplier B, our 2nd largest supplier for the year ended 31 December 2016, as we were able to procure the same IT products from Supplier A directly at lower costs with cash incentive provided under its incentive programmes and there was decrease in the demand for IT products from Supplier B during the same period. As a result, Supplier B ceased to be our top five suppliers for the years ended 31 December 2017 and 2018, while remaining as our supplier during the Track Record Period.

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- (ii) Since 2017, there was a decrease in the procurement amount of IT products from Supplier E, our 5th largest supplier for the year ended 31 December 2016, due to the fact that the authorisation previously granted to Supplier E for sale of the relevant IT products was terminated by the IT products vendors and we had to procure the relevant IT products from other suppliers instead. As a result, Supplier E ceased to be our top five suppliers for the years ended 31 December 2017 and 2018, while remaining as our supplier during the Track Record Period.
- (iii) Supplier I, our 5th largest supplier for the year ended 31 December 2017, ceased to be our top five suppliers for the year ended 31 December 2018 as we only had one-off transaction for a kind of universal microgrid controller software subscribed by one of our customers with Supplier I in 2017 and there was no such procurement required in the provision of our IT services in 2018.
- (iv) Supplier C, our 3rd largest supplier for the year ended 31 December 2016, ceased to be our top five suppliers for the years ended 31 December 2017 and 2018 as we were able to procure the same IT products from Supplier H, who provided more competitive commercial terms, after-sale services and logistics arrangements to us as compared to Supplier C. As a result, Supplier C ceased to be our top five suppliers for the years ended 31 December 2017 and 2018, while remaining as our supplier during the Track Record Period.
- (v) Supplier D, our 4th largest supplier for the year ended 31 December 2016, ceased to be our top five suppliers for the years ended 31 December 2017 and 2018 as there was decrease in demand for IT products from Supplier D during the same periods. As a result, Supplier D ceased to be our top five suppliers for the years ended 31 December 2017 and 2018, while remaining as our supplier during the Track Record Period.
- (vi) Supplier F became our 2nd largest supplier for the years ended 31 December 2017 and 2018 because we were required to procure the relevant cloud services for Customer A during the same periods.
- (vii) Supplier K became our 5th largest supplier for the year ended 31 December 2019 because we have increased our procurement amount of IT products from Supplier K, as they have provided stable and efficient supply of IT products throughout the Track Record Period.

During the Track Record Period, we entered into framework agreements with four of our five largest suppliers for the Track Record Period, namely Supplier A, Supplier C, Supplier D and Supplier G with salient terms summarised as follows:

Business partnership or authorisation:	The scope of the services or products we procured varies on a case by case basis;
Authorisations:	We are generally authorised to resell, distribute, market services or products of the corresponding suppliers within the designated district(s) on a non-exclusive basis;
Price:	In most cases, our suppliers will announce price guidance for their products or services. The selling prices of the products and services generally will be subject to our review or approval;
Credit period:	30 to 60 days;

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Warranty: The suppliers normally warrant its services and/or products as described in the written warranty document accompanying the services and/or products. Our instructions to the customers on the use of products or services must be consistent with the suppliers' written warranty document, product use rights and suppliers' end user documentation. We may provide additional warranty services to customers provided that the terms do not conflict, contradict or void any terms of warranty provided by the corresponding IT product vendors;

Intellectual property: All rights, title and interest, including without limitation, all patents, copyrights, trademarks, services marks, software, trade secrets, know-how, and any other intellectual property rights attached to the products or services developed by us belong to the IT product vendors.

For the four years ended 31 December 2019, total purchases made from our five largest suppliers accounted for approximately 42.9%, 60.0%, 62.6% and 62.3% of our total purchases, respectively and the purchases from our largest supplier accounted for approximately 29.7%, 37.2%, 36.4% and 32.7% of our total purchases for the same periods.

All of our five largest suppliers during the Track Record Period are Independent Third Parties. None of our Directors, their close associates, or any of our Shareholders (who or which, to the best knowledge of our Directors, owns more than 5% of the number of issued shares of our Company) had any interest in any of our five largest suppliers during the Track Record Period.

Suppliers who were also our customers during the Track Record Period

For the four years ended 31 December 2019, 24, 27, 23 and 25 of our suppliers were also our customers (the "Suppliers/Customers"), respectively.

The following table sets out the percentage of our revenue and purchases from the Suppliers/Customers and the gross profit arising from our sales to the Suppliers/Customers during the Track Record Period:

	For the year ended 31 December			
	2016	2017	2018	2019
<i>Purchases from Suppliers/Customers</i>				
Relevant purchases and service costs paid to the Suppliers/Customers as percentage of our total purchases during the relevant year (%)	31.3	41.0	37.4	30.6
<i>Sales to Suppliers/Customers</i>				
Relevant revenue from the Suppliers/Customers as percentage of our total revenue during the relevant year (%)	1.6	3.1	4.2	4.0
Gross profit arising from our sales to the Suppliers/Customers (RMB'000)	406	1,023	2,390	2,470

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During the Track Record Period, our purchases from Suppliers/Customers were predominantly attributable to Supplier A. For the four years ended 31 December 2019, our purchases attributable to Supplier A amounted to approximately RMB91.9 million, RMB154.3 million, RMB206.5 million and RMB226.2 million, representing approximately 29.7%, 37.2%, 36.4% and 32.7% of our total purchases for the same periods, respectively. Without taking into account our purchases from Supplier A, our purchases and service costs paid to Suppliers/Customers amounted to approximately RMB5.0 million, RMB15.4 million, RMB5.8 million and RMB42.2 million, respectively, representing approximately 1.6%, 3.7%, 1.0% and 6.1% of our total purchases for the same periods, respectively.

For the rest of the Suppliers/Customers, most of them are IT related companies. During the Track Record Period, our Group sold to and also purchased from them mainly due to the following reasons:

- (i). certain supplier(s) and customer(s) are different companies but belong to the same group and therefore we categorise them as our Suppliers/Customers;
- (ii). for certain Suppliers/Customers, we mainly provided IT infrastructure services to them who were also engaged by us as our subcontractors to provide assistance such as testing and consultancy services in relation to our provision of IT implementation and supporting services; and/or
- (iii). for certain Suppliers/Customers, they subcontracted certain services to us while we also procured hardware and/or software from them.

To the best knowledge and information of our Directors, for those Suppliers/Customers which are IT related companies, they required our services as they had difficulty in providing certain specialised IT services in-house. On the other hand, we required subcontracting services from certain of the Suppliers/Customers for the reasons as disclosed in the paragraph headed “Subcontracting” in this section below.

Our Directors confirmed that negotiations of the terms of our sales to and purchases from the Suppliers/Customers were conducted on a case-by-case basis, and the services supplied to and products sourced from the Suppliers/Customers were neither inter-connected nor inter-conditional with each other. The salient terms of the transactions with such Suppliers/Customers are similar to those with our other customers and suppliers, which our Directors consider normal commercial terms. Our Directors confirm that, during the Track Record Period, the products we purchased from these Suppliers/Customers (in the context of suppliers) were not subsequently sold to these same Suppliers/Customers. None of our Directors, their respective close associates, or any of our Shareholder (who or which to the best knowledge of our Directors, owns more than 5% of the number of issued shares of our Company) had any interest in any of the Suppliers/Customers during the Track Record Period.

OUR RELATIONSHIP WITH SUPPLIER A

During the Track Record Period, the IT services provided by us to our customers were mainly based on Supplier A’s products and services and our purchases of Supplier A’s products and services have been primarily made via Supplier A. Supplier A was our largest supplier for the four years ended 31 December 2019. During the Track Record Period, our purchases from Supplier A were all related to Supplier A’s products and services. As at the Latest Practicable Date, we have entered into framework agreements with Supplier A. For the salient terms of such framework agreements, please refer to the paragraph headed “Our Suppliers” in this section for further details.

According to the Industry Report, Supplier A is a leading U.S. based global computer software provider, with workforce of approximately 100,000 employees globally.

In line with the industry practice adopted by other major IT products vendors in the market, Supplier A mainly sells its products and services by appointing local authorised services providers such as our Group rather than engaging in direct sales with the customers in the PRC. To provide better user experience and tailor-made services to the end-users, Supplier A has appointed our Group as its business partner to promote and sell its IT products and services using our established sales network and technical expertise in advising on the use and functions of a wide range of Supplier A's products and services. Further, our Group is capable of providing value-added services such as IT solution services to the end-users by devising IT solutions involving the use of Supplier A's products and services based on the specific requirements of the end-users. Due to our technical capability in providing value-added services to cater for our customers' needs and our established sales network in promoting Supplier A's products and services in the PRC, we have been awarded some of the highest business partnership rankings by Supplier A, including authorised device reseller for the hardware and gold certified partner and LSP for the software and cloud.

Authorised device reseller

Since 2016, we have been awarded as authorised device reseller under the brand of Supplier A, through Supplier H, who is the distributor of the device for the brand of Supplier A in the PRC, for sales of laptop devices and accessories. Our award as authorised device reseller under the brand of Supplier A is required to be renewed in August 2020, while we have continuously fulfilled the requirements such as performance requirement and financial status since we have been first awarded as authorised device reseller under the brand of Supplier A and up to the last time of its successful renewal by our Group in September 2019. As our transactions amount with Supplier A has been growing during the Track Record Period, and taking into account our long term business relationship with Supplier A and our solid track record of successful renewal since our first award, our Directors, after due and careful consideration believe that there should be no material obstacle for us to renew such award in August 2020 and in the foreseeable future. With the recognition as authorised device reseller under the brand of Supplier A, our Directors consider that our Group is well positioned to promote and advise on the use of the hardware products under the brand of Supplier A in the course of provision of IT services to our customers.

Gold certified partner

During the Track Record Period, we have been awarded as gold certified partner and have been recognised as possessing technical expertise in 11 IT competency areas, including but not limited to cloud productivity, data platform and messaging. As at the Latest Practicable Date, our award as gold certified partner in 10 out of 11 IT competency areas were all valid. While 1 out of such 11 IT competency areas is being renewed by our Group, as we have continuously fulfilled the requirements such as performance requirement, exam requirement and payment requirement for the 11 IT competency areas since we have been first awarded as gold certified partner in these areas, our Directors believe that there should be no material obstacle for us to renew the awards as gold certified partner in these 11 IT competency areas. After our Directors' due and careful consideration, we believe that there should be no material obstacle for us to renew such awards by their respective next renewal dates based on our track record, and our capabilities and technical expertise in the corresponding IT competency areas. The following table sets out the major requirements which have to be fulfilled in order to be eligible as Supplier A's gold certified partner in the aforementioned areas.

Performance requirement	The partner must earn certain amount of revenue as required by Supplier A under the target area.	Step one
Exam requirement	Certain number of the employees of the partner must pass the exam requirements as required by Supplier A.	Step two
Payment requirement	The partner must pay certain amount of annual fee as required by Supplier A.	Step three

LSP

In 2010, we were awarded as the direct large account reseller of Supplier A mainly for sales of different types of software licenses to medium and large customers. In 2015, according to the Industry Report, the qualification of direct large account reseller was renamed by Supplier A as LSP with additional conditions and requirements as well as revised compensation structure intended to better motivate and reward partners for promoting the cloud services and the sales of ongoing IT solution services to the target customers. As at the Latest Practicable Date, we have successfully renewed our award as LSP in November 2019 after its expiration in August 2019, which will last for one year till November 2020. Taking into account our track record, our capabilities for IT services and technical expertise in the fields where we are operating, after our Directors' due and careful consideration, our Directors believe that there should be no material obstacle for us to renew our LSP status in November 2020.

According to the Industry Report, Supplier A currently has less than 20 LSPs in the PRC. In order to be qualified as LSP, we must have certain number of IT technicians who have passed the technical exams set by Supplier A and need to meet the performance standards and requirements based upon revenue, growth, business scale and operational execution.

As a LSP of Supplier A, we enjoy more privileges and benefits from Supplier A compared to our competitors. For example, we receive education and training support for the application and use of Supplier A's products and services, sponsorship discounts for event packages, unlimited access for digital marketing content and first priority for Supplier A's sales support.

Mutual and strategic business relationship

We consider that our business operations would not be materially and adversely affected by Supplier A for the following reasons:

- (i). according to the Industry Report, it is not uncommon for an IT services provider to procure products and services predominantly from a particular supplier after it has established a long term relationship with such supplier and has become familiar with its products and services. It is also the market practice and strategies of the IT products vendors such as Supplier A to establish sales network by appointing local authorised services providers such as our Group rather than engaging in direct sales with the customers in the PRC;
- (ii). we consider that our business relationship with Supplier A is mutually beneficial both financially and strategically. According to the Industry Report, we were ranked first, in terms of revenue generated in 2018, among the LSPs of Supplier A in Southern China, which evidenced that we possessed many of their product certifications and demonstrated our in-depth knowledge about the products and services of Supplier A. As at the Latest Practicable Date, we obtained the qualifications to sell major types of software and hardware products and services of Supplier A in the PRC. Although Supplier A is a well-known international IT products vendor and leading U.S. based global computer software provider, our Directors believe that it also relies on us in recommending its products and services to our customers as we are capable of providing IT solutions services which enhance the functionality and adaptability of Supplier A's products and services so that they can be utilised in a wide range of IT solutions and hence help increase the sales and penetration rate of Supplier A's products and services in the market. Our Directors believe that it is also beneficial for Supplier A to maintain a close business relationship with us and it is therefore highly unlikely and not in the commercial interests for Supplier A to terminate its business relationship with us in the near future;

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- (iii). as at the Latest Practicable Date, we had over 21 IT technicians who have been certified as IT professional by Supplier A and are qualified to advise on the application and use of Supplier A's products and services. As such, our staff is well equipped with the relevant technical knowledge and skills in promoting Supplier A's products and services and hence help drive up the revenue for Supplier A;
- (iv). we have received a number of awards from Supplier A such as 2018 Best Growth Award (最佳成長獎*) of one of the softwares of Supplier A, 2015 SMB Best Cloud Cooperation Partnership of Shenzhen (深圳區域最佳雲合作夥伴獎*) and 2013 District Best Seller of Reseller of Major Customer (大客戶轉售商區域最佳業績獎*). Our Directors believe that we play an important role in selling and promoting Supplier A's products and services in the PRC;
- (v). we have developed mutual trust and strong business relationship with Supplier A due to our consistent and high quality IT services provided to the end-users. Throughout the business relationship, we have not received any material complaint from Supplier A;
- (vi). according to the Industry Report, Supplier A has suspended the admission of new LSP in the PRC and the number of LSP is less than 20 in the PRC and is expected to remain stable in the foreseeable future. Therefore, our Directors are of the view that it is not in the commercial interests of Supplier A to terminate its long-standing business relationship with our Group;
- (vii). considering our competitive strengths below during the Track Record Period, our Directors believe that we are well equipped to retain our market share and market position, and achieve overall growth in our revenue along with the positive outlook for the IT services market in PRC:
- We are an integrated IT solution and cloud services provider in the PRC with proven track record and reputation of providing one-stop IT services to cater for our customers' needs;
 - We have technical expertise, knowledge and R&D capabilities in our IT services; and
 - We have an established sales network and experienced sales team with support from our R&D team; and
- (viii). during the Track Record Period, apart from Supplier A, we also procured Supplier A's products and services from the other 40 authorised resellers/distributors with an aggregate purchase amount paid to such resellers/distributors being approximately RMB30.4 million, RMB107.6 million, RMB195.7 million and RMB277.0 million, representing approximately 9.8%, 26.0%, 34.5% and 40.0% of our total purchases for the four years ended 31 December 2019, respectively. Therefore, our Directors are of the view that our Group had no significant and direct reliance on Supplier A during the Track Record Period.

Given such a positive outlook for the IT services market in the PRC, our Directors are of the view that there is no reasonable commercial cause for Supplier A to unilaterally terminate or deliberately limit its supply of products and services to us. Please also refer to the paragraph headed "Our Competitive Strengths" in this section for further details.

Ability to reduce reliance on Supplier A

In addition to our well-established relationship with Supplier A and our mutual and strategic business relationship as detailed above, our Group has adopted and implemented the following measures in order to reduce/mitigate our reliance on Supplier A, which are in line with our business development strategies:

- (a) In light of the potential impact of escalation of trade war and related disputes between the U.S. and China, our Group has proactively sourced and identified alternative Chinese and non-U.S. suppliers who have developed IT products and/or services, which can offer similar functions and/or usages comparable and/or compatible with those IT products and services offered by Supplier A and other U.S. suppliers. During the Track Record Period, we have procured and/or entered into letters of intent or memorandums of understanding with 158, 229, 271 and 289 Chinese and non-U.S. suppliers for provision of IT services to our customers, representing approximately 27.8%, 19.0%, 17.0% and 18.3% of our total amount of purchases from our suppliers as at the respective years and dates. As at the Latest Practicable Date, our Group has also identified various types of Supplier A's IT products and services, mainly comprising (i) computer operation system, (ii) office related and document processing software, (iii) cloud based software and platform and (iv) enterprise resource planning and CRM related software, which can be substituted or replaced by similar IT products and services offered by the Chinese and non-U.S. suppliers. Thus, our Group has demonstrated its capability to diversify our supplier base and procure IT products and services from alternative Chinese and non-U.S. suppliers, and thereby reduce our reliance on Supplier A and other U.S. suppliers.
- (b) According to Frost & Sullivan, it has become the recent industry trend for Chinese IT companies to ramp up its investment and improve its R&D capabilities in order to better compete with the U.S. IT companies and increase their market share in the China IT services market amid the trade war and related disputes between the U.S. and China. In addition, the Chinese government and the relevant authorities have launched various supportive governmental policies and measures to support the financing activities of domestic enterprises and encourage cooperation between domestic enterprises and research institutions in accordance with the guidelines from the 13th Five-Year Plan for Economic and Social Development of the PRC (2016-2020) in order to stimulate the growth and development of IT products and services by Chinese IT companies which are compatible with the mainstream IT infrastructure operated by the companies based in China. As such, our Group has established a market intelligence team comprising three of our staff in the R&D and technical support department to regularly conduct market research and closely monitor various types of new IT products and services developed and introduced by Chinese IT companies. Our R&D and technical support department will also be responsible for conducting testing and trial run to ensure that these new IT products and services introduced by Chinese IT companies can meet the needs and requirements of our customers. Therefore and as evidenced by these already established business relationships with the Chinese IT companies as set out in the sub-paragraph above, our Group expects to be able to procure more IT products and services from these Chinese IT companies in the foreseeable future.

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- (c) In order to minimise the potential impact and disruption caused by the trade disputes between U.S. and China, our Group has strategically promoted and increased the use of IT products and services developed by Chinese and non-U.S. suppliers in the course of provision of IT services to our customers. In addition, our Group has witnessed more enquiries and growing demands for IT products and services developed by Chinese and non-U.S. suppliers from our customers after the announcement of the U.S. Ban. In particular, we have successfully introduced and sold a wide range of IT products and services which are mainly for administrative and operational use, data management and cloud storage developed by Chinese and non-U.S. suppliers as part of our IT services to our customers during the Track Record Period and up to the Latest Practicable Date. For instance, since the announcement of the U.S. Ban and up to the Latest Practicable Date, Customer A has engaged our Group for our IT services involving the use of IT products and services developed by Chinese and non-U.S. suppliers with a total purchase amount of approximately RMB130.4 million.
- (d) In line with our business strategy to strengthen our marketing efforts, our Group will allocate more marketing resources to join forces with the leading Chinese and non-U.S. suppliers to host and/or organise IT industry exhibitions, marketing events and seminars to promote the use of their IT services and products to our customers. Leveraging on (i) our technical expertise, knowledge and R&D capabilities in our IT services, (ii) our established sales network and experienced sales team with support from our R&D team, and (iii) the technical services centres to be established by our Group in our Shenzhen and Shanghai offices, our R&D team will strengthen our collaboration with the Chinese and non-U.S. IT suppliers to provide first-hand experience in the usage and functionality of their IT services and products, whereas our technical staff will also provide guidance, technical support, trainings, workshops and demonstration of the software application as well as integration of different types of IT products and services to our customers.
- (e) With our increased investment in our R&D capabilities and the 12 R&D projects undertaken by our Group focusing on, *inter alia*, (i) upgrade and development of Eden Cloud, (ii) development of intelligent manufacturing detection system, (iii) upgrade and development of our cloud software products such as large attachment and cloud documents management system, (iv) upgrade and development of Eden facial identification system and (v) upgrade and development of asset management system, our Group will fully utilise and optimise the use of the software and services developed under our R&D projects with our existing IT services so that our customers can directly benefit from these newly developed software and services when engaging us for our IT services. Our Directors consider that our self-developed IT products and services, including but not limited to those developed under the 12 R&D projects, can further increase the variety of products and services offered by our Group and could be considered as substitutes or alternative choices by our customers when comparing to similar products and services offered by Supplier A.

SUBCONTRACTING

Whilst we have a team of experienced in-house technical staff to carry out the necessary implementation work, we from time to time will subcontract certain work in our provision of IT implementation and supporting services such as IT services for file management, establishment of IT services management platform and technical and maintenance support services that requires specialised expertise and/or large labour force. We subcontract such work to our subcontractors because we consider that the subcontracting (a) allows us to focus on core areas which we are experienced in and leave the specialised part to specially skilled labour; (b) reduces the labour cost as we do not have to employ a large workforce; and (c) increases our flexibility and capacity in carrying out the projects thereby enabling us to operate more efficiently. Depending on the contractual terms, we may notify or obtain approval from our customers before subcontracting part of our work to them.

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For the four years ended 31 December 2019, our subcontracting fee amounted to approximately RMB18.9 million, RMB22.5 million, RMB43.2 million and RMB38.3 million, respectively, which accounted for approximately 6.5%, 5.5%, 8.1% and 5.4%, respectively, of our total cost of sales, for the same periods. Our largest subcontractor was Supplier A who accounted for approximately 81.2%, 60.4%, 77.4% and 72.5% of our total subcontracting fee for the four years ended 31 December 2019.

Our working relationship with our major subcontractors is generally over 3 years. We have maintained an internal list of approved subcontractors, which is updated from time to time. During the Track Record Period, over 70 subcontractors were engaged by our Group. We select our subcontractors based on various criteria, including relationship with us, price, quality, management team, relationship with our customers and familiarity with the relevant work. Our suppliers may also be engaged by us as our subcontractors in different projects depending on the requirements of the individual projects. During the Track Record Period, we did not enter into any formal or long-term written agreement with any of our subcontractors in relation to the subcontracting arrangement which is determined on a case-by-case basis with reference to the specific requirements of each project.

Our sales team would obtain quotation from our subcontractors when such service is required by our customers. We would negotiate and agree with our subcontractors on the (a) fee quotations; (b) payment method; (c) credit period; (d) scope of services; and (e) resources required. The general terms of our subcontracting agreement typically include:

- | | |
|--|--|
| (a) Fee quotations: | Depending on the service provided |
| (b) Payment method: | Bank transfer/cheque |
| (c) Credit period: | Generally 30 to 90 days |
| (d) Scope of services: | Certain work in our provision of IT solution services such as IT services for file management, establishment of IT services management platform and technical and maintenance support services, depending on the requirements of the specific projects |
| (e) Qualification and certification of subcontractors: | Depending on the requirements in tender documents or according to the relevant contracts signed |

Our Group has implemented the following measures to supervise and ensure the quality of the performance of our subcontractors:

- (i). following the supplier management process of ISO9001:2015, the details of which please refer to the paragraph headed “Quality Control” in this section below;
- (ii). maintaining relationships with a number of subcontractors so that we do not have to rely on any particular subcontractor and can find alternatives within a short period of time;
- (iii). closely monitoring whether our subcontractors’ performance meet our standards;
- (iv). evaluating our subcontractors’ performance in terms of their performance quality, efficiency, cost charged, responsiveness to our requests and follow-up work after completion of the projects; and
- (v). continuously exploring potential new subcontractors.

PRICING POLICY AND PAYMENT

We charge our IT services fee based on different types of specifications and level of complexity, the IT services fees vary and will be determined between our customers and us on a case-by-case basis. Before we issue the price quotation to our customers, we generally carry out a detailed budgeting to estimate the cost to be incurred for the potential project. In general, our service fee for our IT services is charged on a cost-plus basis. In determining our service fees, we take into account factors including the scope of services, complexity and scale of the project, manpower required, expected timeline, cost of sourcing the relevant IT products and services as well as subcontracting fee, if needed, and level of competition.

In addition, we also take into account our relationship with the customers, the business scale and reputation of the customer, likelihood of any future business engagement with the customer and the profitability of other previous/anticipated projects involving such customer. For certain clients such as large or well-known corporations or customers who had a long-term business relationship with our Group or contributed a significant proportion of revenue to us in the past, we may offer comparatively lower prices or special discounts to them for certain projects occasionally in order to maintain long-term business co-operations with them and encourage their continuous engagement of our Group for provision of IT services. This is also one of our strategies to attract new customers to further expand our business as well as retaining existing major customers. Nevertheless, we would also strive to maintain an optimal balance between competitive pricing and profitability with a view to ensuring that such customer who have enjoyed special discounts or comparatively lower price can generate profits to our Group.

Our Directors consider that the above mentioned pricing strategy is effective in building a good relationship with our customers and attracting new businesses, which is important for us to maintain our sustainability and profitability in the long run.

Depending on the types of services engaged by our customers and the complexity of the projects, the service fees may be settled in one lump sum upon delivery of our service or by instalments according to the payment schedules as set out in the contracts. Certain customers may make advance payment as part of our credit control.

During the Track Record Period, a credit period of 15 to 90 days upon issuance of invoices was generally granted to our customers. The credit period for each project may vary depending on factors such as the requirements of the customers and our relationship with them.

PERFORMANCE BOND

As security for due performance of our payment obligations, we were required to provide performance securities in the form of performance bond from two IT products vendors and its authorised service providers, during the Track Record Period.

As at 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019, and the Latest Practicable Date, we had 2, 2, 3, 4 and 4 outstanding performance bonds with an aggregate sum of approximately RMB3.9 million, RMB3.0 million, RMB8.9 million, RMB9.3 million and RMB9.0 million, respectively, given by banks in favour of these vendors and/or the service providers.

As at the Latest Practicable Date, we did not enter into any contracts under which performance securities are required to be paid but have not yet been paid by us.

RETURN AND WARRANTY

The hardware and software products that are used in our IT services are generally warranted by the relevant suppliers for around 12 months to 36 months. In the event that there are any defects with the hardware and/or software, such suppliers will be liable for the product defects and our customers may contact them directly to rectify the defects or failing which, to obtain a replacement of the hardware or software. During the Track Record Period and up to the Latest Practicable Date, we have not encountered any material refund to our customers because of defects found in the hardware and/or software procured by us from our suppliers.

SEASONALITY

Our business is in general not subject to seasonal fluctuations.

RESEARCH AND DEVELOPMENT

We believe our R&D capabilities are important for developing new IT products and services and we therefore devote resources and efforts to continuously optimise and enhance the functionality of our products and services, our technologies as well as exploring the possibility of introducing new applications to our existing IT products and services.

Qualifications and core focus of our R&D team

To advance our R&D capabilities, we have formed a R&D and technical support department comprising 75 staff among which, 28 are research staff, as at the Latest Practicable Date. All of our research staff have obtained research related qualifications and possess diploma, bachelor and/or master degrees in IT and computer science related fields.

Our R&D team has the following core focus and responsibilities:

- (i). development of cloud software products for, including but not limited to, large attachment, cloud documents management and IT products testing system;
- (ii). development of Eden facial recognition, external assessment and asset management system; and
- (iii). development of Eden Cloud.

Research results

Our continuous R&D efforts have led to:

- (i). recognition as a high-tech enterprise by PRC governmental authority;
- (ii). qualification of ISO9001:2015 for our software development & technical consultant service, and cloud business; and
- (iii). the successful registration of 68 registered copyrights in the PRC.

Our co-operation with other Independent Third Parties

During the Track Record Period, we have entered into cooperation agreements with two, seven, nine and one Independent Third Party(ies) for our R&D projects for the four years ended 31 December 2019, respectively. As advised by our PRC Legal Advisers, such cooperation agreements were all valid, legally binding and enforceable under the relevant PRC laws and regulations.

Set out below are the salient terms of such cooperation agreements, which are generally on a project basis:

Major rights and obligations of our counterparties:	<ul style="list-style-type: none">• Provide our Group with new products, services and technology for R&D;• Assist our Group in implementation of the new projects, services and technology;• Provide technical and maintenance support services during the warranty period; and• Provide training and education to our staff.
Major rights and obligations of our Group:	<ul style="list-style-type: none">• Provide technical materials/information and necessary assistance for the R&D projects; and• Responsible for fixed fee as agreed by the parties for the R&D projects.
Intellectual property rights of results of R&D:	<ul style="list-style-type: none">• The intellectual property rights of the developed products and technology shall be owned by our Group.

We intend to strengthen and develop our R&D capabilities and further expand our cloud services. For details, please refer to the paragraph headed “Our Strategies” in this section in this prospectus.

Research related expenses

For the four years ended 31 December 2019, we have invested approximately RMB3.8 million, RMB10.6 million, RMB18.5 million and RMB19.3 million on our R&D efforts, respectively, representing approximately 1.2%, 2.3%, 3.0% and 2.4% of our total revenue for the same periods. For further details, please refer to the paragraph headed “Financial Information – Selected Line Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income – R&D expenses” in this prospectus.

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It is our policy to set aside an annual budget for R&D. In order to ensure research efficiency and to encourage innovation, we have adopted and implemented:

- (i). a detailed policy for managing our use of R&D funds as well as monitoring progress for each of our projects; and
- (ii). a detailed incentive policy to award our research staff for research related-achievements, such as cash incentive for patent and copyright.

For the information of our future plans on R&D, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had 6 registered trademarks in the PRC, 1 registered trademark in Hong Kong, 5 registered domain names and 68 registered copyrights in the PRC, which are material to our business operation. Details in relation to our intellectual property is set out in the paragraph headed “Statutory and General Information – Further Information about the Business – 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

In order to protect the intellectual property rights of our Group and our customers, we have adopted the following policies:

- our human resource department regularly sends emails to our staff on (i) proper security protection for information systems and data to remind them of the proper safeguard and procedures in handling classified material provided for the purpose of performing the relevant services; and (ii) password policy to enhance the security of our computer system;
- our employees are provided with staff handbooks which provide, *inter alias*, that any employee must not make any unauthorised disclosure of any confidential or privileged information made available to him/her in the course of his/her work; and remind them that any such unauthorised disclosure may constitute a criminal offence; and
- all employees must sign a non-disclosure agreement when they commence their employment with us which prohibits unauthorised leakage of confidential information.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claim against our Group for infringement of any intellectual property right nor were we aware of any pending or threatened claims in relation to any such infringement, nor had any material claim been made by us against third parties in relation to the infringement of intellectual property rights owned by us.

OUR CRM SYSTEM

We have implemented a CRM system, which helps us to enhance the efficiency of sales and marketing to our target customers. We have built a customer database by collecting and maintaining our existing and potential customers’ profiles. As at the Latest Practicable Date, we have obtained information on over 2,900 existing customers who had used our IT services, including their personal information and information on their purchasing behaviour such as purchasing histories and IT product preference.

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We also deploy a streamlined sales and marketing process by generating marketing leads and targets via customer profiling and a hierarchy of potential customers ranked by their budgeting and spending capacity. Based on the information in our CRM system, our CRM sales team solicits customers through online and offline sales and marketing channels and introduce the relevant IT products and services to our target customers. We also hold periodic training programmes on customer service-related topics for our customer relationship managers and our sales staff, and use customer's feedback as an important factor in their performance reviews.

EXPANSION PLAN

As a business strategy to continue to strengthen and expand our IT services, we plan to expand our IT services in the PRC by establishing new branch offices in Shanghai and Guangzhou. For further details, please refer to the paragraph headed "Our Strategies – We intend to expand our offices and enhance our service capacity to capture business opportunities in different regions in the PRC" in this section. In this regard, the following table summarises the details and estimated costs for setting up the new branch offices in Shanghai and Guangzhou:

(i) New branch office in Shanghai

Major costs to be funded by our net proceeds from the Share Offer:	HK\$2.0 million and other miscellaneous costs
Expected total gross floor area of the branch office in Shanghai:	Approximately 300 square meters
Expected year of completion of establishment:	Second half of 2020
Expected year of commencement of operation:	Second half of 2020
Expected investment payback period ^(Note) :	5 months from establishment of Shanghai branch office

Note: The calculation of the investment payback period takes into account (i) aggregated revenue of Shanghai as well as revenue from customers in nearby cities and provinces achieved by our Group in 2019 which will be covered by the Shanghai office; (ii) forecasted revenue growth of approximately 10% for the Shanghai office considering the historical performance of the relevant cities as well as the relevant CAGRs of 13.8% from 2019 to 2023 of IT services market of Shanghai according to the Industry Report; (iii) relevant leasehold improvement cost, staff cost, rental cost as well as cost of hardware and software to be incurred in 2020 and 2021.

(ii) New branch office in Guangzhou

Major costs to be funded by our internal resources:	HK\$2.8 million and other miscellaneous costs
Expected total gross floor area of the branch office in Guangzhou:	Approximately 300 square meters
Expected year of completion of establishment:	First half of 2022
Expected year of commencement of operation:	First half of 2022
Expected investment payback period ^(Note) :	5 months from establishment of Guangzhou branch office

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Note: The calculation of the investment payback period takes into account (i) aggregated revenue of Guangzhou as well as revenue from customers in nearby cities and provinces achieved by our Group in 2019 which will be covered by the Guangzhou office; (ii) forecasted revenue growth of approximately 10% for the Guangzhou office considering the historical performance of the relevant cities as well as the relevant CAGRs of 13.2% from 2019 to 2023 of IT services market of Guangzhou according to the Industry Report; (iii) relevant leasehold improvement cost, staff cost, rental cost as well as cost of hardware and software to be incurred in 2020 and 2021.

According to the applicable PRC laws and regulations, no licenses, permits, registration or approvals are required from our Group at this stage for the purpose of establishing these two branch offices. We will obtain the necessary business licences before commencing the business operation at these two branch offices.

INVENTORY MANAGEMENT

Our inventories primarily consisted of (i) hardware such as portable computer and its ancillary accessories; and (ii) software license and package.

We recorded inventories of approximately RMB24.4 million, RMB33.8 million, RMB44.7 million and RMB38.2 million as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, respectively. We generally place orders with our vendors upon receiving confirmation of orders from our customers to reduce risk exposure to obsolete or slow-moving stock. Hence, majority of our inventories as at year end date represent orders to be delivered to our customers after year end. For hardware products, we normally deliver the same to our customers within a week after confirmation of the purchase orders from our customers. For software products, once our customer have confirmed the orders, we will dispatch the activation keys for them to activate the software, they will be held as inventories until the software being accepted by our customers. We keep spare units of certain hardware, mainly portable computer and its ancillary accessories for ad-hoc use. For further details, please refer to the paragraph headed “Financial Information – Description on Major Components of Statements of Financial Position – Inventories” in this prospectus.

INSURANCE

As required by law, we maintain government-mandated insurance and benefits for our employees, including (medical, pension, unemployment insurance, occupational injury, maternity and housing provident fund. We also provide personal accident insurance for all of our employees. Taking into account customary practice in the PRC, we do not carry product liability insurance or key person insurance for any member of our senior management team. Our Directors confirm that, 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.

OUR EMPLOYEES

As at the Latest Practicable Date, we had 150 employees, all of whom were employed in the PRC. A breakdown of our employees by functions, as at the Latest Practicable Date is set forth below:

R&D and technical support department	74
Sales department	53
Finance department	6
Procurement department	5
Human administration department	5
Legal department	3
General management office	4
Total	150

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We recruit our employees based on a number of factors such as their work experience, educational background and our vacancy needs. We generally recruit through online advertisements, on-site postings and referrals from our employees.

The remuneration payable to our employees includes salaries, allowances and discretionary bonus. We conduct periodic performance review for our employees and their remuneration is based on factors including qualifications, contributions, years of experience and performance. We also provide pre-job and on-the-job training to our staff to equip them with requisite skills and knowledge for their positions.

As required under the relevant PRC laws and regulations, we maintain social insurances, including pension insurance, medical insurance, unemployment insurance, occupational injury insurance and maternity insurance and housing provident fund for our employees. For further information, please refer to the paragraph headed “Regulatory Overview – Laws and Regulations relating to Social Insurance and Housing Provident Fund” in this prospectus. As advised by our PRC Legal Advisers, save as disclosed under the paragraph headed “Legal Compliance” in this section, we have complied with the relevant labour laws and social welfare laws and regulations in the PRC in all material respects.

During the Track Record Period, we did not experience any material dispute with our employees or disruptions to our operations due to labour disputes. Our employees are represented by a labour union with respect to labour disputes and other employee matters. The labour union does not represent our employees for the purpose of collective bargaining and our employees are not covered by any collective bargaining agreement. We have not experienced any material disputes with our employees and we believe that we maintain a good working relationship with our employees.

HEALTH AND WORK SAFETY

Our Group emphasises creating and sustaining a healthy and safe work environment for our employees. We continue to enjoy effective communication throughout our supply chain with respect to not only our employees but also external business partners such as suppliers and subcontractors. Our Group believes high standards in these areas underpin a critical aspect of operating effectiveness and, in turn, help our Group compete effectively.

We have implemented internal training programmes and a workplace health and safety memorandum, through which our Group educates and reminds our employees of the importance of and the correct practices for health and safety in the workplace. Our human administration department has designated personnel to record and keep track of any injuries of our employees that have occurred in our workplace, to ensure insurance claims and treatments are effectively pursued to protect our employees and our Group. During the Track Record Period, there was no material injury recorded.

ENVIRONMENTAL MATTERS

Due to the nature of our business, our Group is not required to apply for environmental related licences and permits. As at the Latest Practicable Date, as advised by our PRC Legal Advisers, our Group has not come across any material non-compliance issues in respect of any applicable laws and regulations on environmental protection.

QUALITY CONTROL

Our Directors believe that the provision of quality services and products is important for our Group's business and its continuous development. Our Group has formulated a comprehensive set of quality control measures and updates these measures from time to time to reflect the latest development of regulatory and industrial requirements and the specifications from our customers. Based on the measures adopted by us, our quality control system can be broadly divided into two major components, one aiming at enhancing our service quality, whilst the other enhancing our product quality.

In relation to our service quality control, our project manager and technical staff are responsible for ensuring the quality of our services by conducting testing on the services provided by us.

In relation to our product quality control, our product quality control team will be responsible for quality control of the procurement, storage and sales of the hardware. Our product quality control team places emphasis on the quality control and logistics arrangements of the IT products and will conduct a full inspection on all the IT products procured from our suppliers and sold to our customers. We are entitled to return the IT products which do not meet our quality standards to the suppliers for replacement.

We also follow the supplier management process of ISO 9001 to manage the quality of our suppliers and subcontractors. We will monitor the performance of our suppliers and subcontractors at planned intervals. The performance will be measured against the service targets and other contractual obligations. The performance results will be documented and reviewed to identify any non-conformities or room for improvement so as to ensure the services provided satisfy our requirements. There shall also be documented procedure to manage any contractual disputes between our Company and our suppliers and subcontractors.

We also endeavour to ensure that our IT services provided to our customers follow the industry standard ISO9001:2015.

PROPERTIES

Owned properties

As at the Latest Practicable Date, we owned nine residential properties in Shenzhen with an aggregate gross floor area of approximately 678.7 sq.m. under limited ownership pursuant to the sale and purchase agreements of such residential properties entered into between our Group and Housing and Construction Bureau of Futian District of Shenzhen Municipality (深圳市福田區住房和建設局) on 26 March 2015 and 9 May 2016, respectively. Such residential properties has been leased to our selected employees for their housing purposes. According to our PRC Legal Advisers, our Group has fully paid the purchase amount for such properties and is entitled to occupy and use such residential properties and has the right to lease such properties to our selected employees on condition that we shall not transfer or dispose such properties to any other third party or lease such properties to other employees.

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The table below sets out the address and usage of our nine residential properties as at the Latest Practicable Date:

Location	Address	Gross floor area (sq.m.)	Usage
Shenzhen, the PRC	Room 08, 3rd floor, Building No.3, Songde Garden, Xia Meilin Second Street, Futian District	64.8	Residential properties for employees
Shenzhen, the PRC	Room 02, 11th floor, Building No.9, Ping Hu Kun Yi Fu Yuan, Longgang District	87.82	Residential properties for employees
Shenzhen, the PRC	Room 07, 14th floor, Building No.2, Ping Hu Kun Yi Fu Yuan, Longgang District	87.34	Residential properties for employees
Shenzhen, the PRC	Room 08, 14th floor, Building No.2, Ping Hu Kun Yi Fu Yuan, Longgang District	58.78	Residential properties for employees
Shenzhen, the PRC	Room 09, 14th floor, Building No.2, Ping Hu Kun Yi Fu Yuan, Longgang District	87.76	Residential properties for employees
Shenzhen, the PRC	Room 10, 14th floor, Building No.2, Ping Hu Kun Yi Fu Yuan, Longgang District	87.77	Residential properties for employees
Shenzhen, the PRC	Room 04, 22nd floor, Building No.2, Ping Hu Kun Yi Fu Yuan, Longgang District	87.34	Residential properties for employees
Shenzhen, the PRC	Room 05, 22nd floor, Building No.2, Ping Hu Kun Yi Fu Yuan, Longgang District	58.53	Residential properties for employees
Shenzhen, the PRC	Room 06, 22nd floor, Building No.2, Ping Hu Kun Yi Fu Yuan, Longgang District	58.53	Residential properties for employees

As at the Latest Practicable Date, we had no single property with a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include any interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

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Leased properties

The table below sets out the address and usage of our leased properties in the PRC as at 31 December 2019 and up to the Latest Practicable Date:

Location	Address	Gross floor area sq.m.	Monthly rental (RMB)	Usage	Lease period
Shenzhen, the PRC	West, 2nd floor, Building A, Shenzhen International Innovation Centre (Futian Technology Square), Hua Fu Street, 1006 Shen Nan Road, Futian District	967.52	101,589.6	Office	1 September 2015 – 31 August 2020
Shenzhen, the PRC	East, 2nd floor, Building A, Shenzhen International Innovation Centre (Futian Technology Square), Hua Fu Street, 1006 Shen Nan Road, Futian District	967.52	1st Year: 195,052.03; 2nd Year: 200,903.59; 3rd Year: 206,930.70	Office	30 December 2018 – 29 December 2021
Shenzhen, the PRC	Room 008H, Building one, City Spring, 30 Nan Fu Hua Road, Futian District	89.37	4,915.35	Residential purposes for employees	1 April 2018 – 31 March 2021
Shenzhen, the PRC	Room 0707, Tian Jian Bin Yue Hui Talents Residential Building, 68-9 Jingtian Road, Futian District	74.79	4,786.56	Residential purposes for employees	1 April 2018 – 31 March 2021
Shenzhen, the PRC	Room 1513, Building B, Buji Shop, Bo Yu, Xiang Ge Road, Longgang District	23.02	942.67 (increasing at a rate of 5% per year since 1 April 2019)	Residential purposes for employees	16 September 2018 – 15 September 2021
Shenzhen, the PRC	Room 14A, Building B, Run Da Yuan Ting, Jiang Rong Jia Yuan, CCB, 152 Tenglong Road, Min Zhi Street, Longhua District	114.87	4,307.63 (increasing at a rate of 3% per year since 1 January 2019)	Residential purposes for employees	16 September 2018 – 15 September 2021
Shenzhen, the PRC	Room 0306, Building 00A, Yingcai Building, Futian District	65.53	3,342.03	Residential purposes for employees	16 March 2019 – 15 March 2022
Dongguan, the PRC	Room 808, Building B, Commercial Center, Nancheng District	172.38	10,000	Office	1 April 2019 – 21 March 2021
Shenzhen, the PRC	Room 2408, Building 9, Unit 2, Xin Yi Li Jing Yu Yuan, Xiangge Road, Longgang District	72.09	2,811.51(increasing at a rate of 3% per year since 1 January 2020)	Residential purposes for employees	1 November 2019 – 31 October 2022
Shenzhen, the PRC	Room 2410, Building 9, Unit 2, Xin Yi Li Jing Yu Yuan, Xiangge Road, Longgang District	68.76	2,681.64(increasing at a rate of 3% per year since 1 January 2020)	Residential purposes for employees	1 November 2019 – 31 October 2022
Shenzhen, the PRC	Room 2410, Building 8, Unit 1, Xin Yi Li Jing Yu Yuan, Xiangge Road, Longgang District	68.75	2,681.25(increasing at a rate of 3% per year since 1 January 2020)	Residential purposes for employees	1 November 2019 – 31 October 2022

For the four years ended 31 December 2019, our rental expenses from short-term lease and depreciation of right-of-use assets amounted to approximately RMB1.7 million, RMB1.7 million, RMB1.4 million and RMB3.4 million, respectively.

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AWARDS AND QUALIFICATIONS

After years of development, our IT services have accomplished a number of milestones and have obtained a number of important awards and qualifications as set out below:

Award/Qualification	Awarding organisation	Year of issue/Period
2019 Software Industry Association Innovative Product Award* (2019年度軟件行業創新產品獎)	Shenzhen Software Industry Association (深圳市軟件行業協會)	December 2019
Advanced enterprise* (先進企業)	Statistics Bureau of Futian District, Shenzhen Municipality* (深圳市福田區統計局)	December 2019
ISO/IEC 27001:2013 (IT security management activities relate to the computer application software development services and maintenance services for software and hardware operation of computer information system)	Shenzhen Universal Certification Centre Co., Ltd. (深圳市環通認證中心有限公司)	September 2019
ISO/IEC 20000-1:2011 (maintenance services for software and hardware operation of computer information system)	Shenzhen Universal Certification Centre Co., Ltd. (深圳市環通認證中心有限公司)	September 2019
Annual innovative enterprise (年度創新企業)	2019 Greater Bay Area 1st Enterprise Leaders Summit and Awards Ceremony Organizing Committee* (2019年大灣區首屆企業領袖峰會暨頒獎盛典組委會)	February 2019
High technology enterprise* (高新技術企業)	Science and Technology Innovation Council of Shenzhen Municipality* (深圳市科技創新委員會), Finance Commission of Shenzhen Municipality* (深圳市財政委員會) and Taxation Bureau of Shenzhen Municipality* (深圳市稅務局)	November 2018
Enterprises qualified for expedited approval by the Shenzhen Municipality* (《關於為我市大企業提供便利直通車服務的若干措施》)	General Office of the People's Government of Shenzhen Municipality* (深圳市人民政府辦公廳)	September 2018
Advanced unit* (先進單位)	Shenzhen Communication and Internet Society* (深圳市通信與互聯網協會)	August 2018
High-growth small and medium sized enterprises of Guangdong Province* (廣東省高成長中小企業)	Bureau of Industry and Information Technology of Guangdong Province* (廣東省經濟和信息化委員會)	June 2018

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Award/Qualification	Awarding organisation	Year of issue/Period
2017 Shenzhen Top 100 Enterprises in terms of revenue of software business* (2017年度深圳市軟件業務收入前百家企業)	Shenzhen Software Industry Association (深圳市軟件行業協會)	May 2018
ISO9001:2015 (Software development and technical consultant service, cloud business)	Shenzhen Universal Certification Centre Co., Ltd. (深圳市環通認證中心有限公司)	June 2017
China Best Employer Award 2016 Nomination Awards of China Best Employer* (2016中國年度最佳僱主提名獎)	Institute of Social Survey of Peking University* (北京大學社會調查研究中心) and Zhaopin.com (智聯招聘)	January 2017
2013 Shenzhen Top 100 Enterprises in terms of revenue of software business* (2013年度深圳市軟件業務收入前百家企業)	Shenzhen Software Industry Association (深圳市軟件行業協會)	August 2014
2012 Shenzhen Top 100 Enterprises in terms of revenue of software business* (2012年度深圳市軟件業務收入前百家企業)	Bureau of Industry and Information Technology of Shenzhen* (深圳市經濟貿易和信息化委員會)	August 2013

MARKET AND COMPETITION

The IT services industry in the PRC is highly competitive and fragmented with large number of market participants.

According to the Industry Report, the market size of the IT services industry has increased from RMB2,492.2 billion in 2013 to RMB5,203.7 billion in 2018, representing a CAGR of 15.9%, which is expected to expand with a CAGR of 16.0% from RMB5,993.3 billion in 2019 to RMB10,859.1 billion in 2023. There are a total of around 30,000 companies with revenue of RMB500 million or above in the PRC for the year ended 31 December 2018 and the top five participants accounted for only 13.1% of the total market size in the PRC. The industry in the Guangdong Province has recorded a strong increase from RMB326.8 billion in 2013 to RMB995.2 billion in 2018 with a CAGR of 24.9%. Underpinned by rising demand for IT solution services in Guangdong Province and the rapid development in cloud computing, the IT services market is expected to reach RMB2,035.1 billion in 2023, with a CAGR of 17.3% from 2019 to 2023. Guangdong, as the largest IT solution services market of the PRC in 2018, accounted for 19.1% of the total market.

From 2013 to 2018, IT solution services in China has experienced steady growth from RMB2,470.5 billion in 2013 to RMB5,116.5 billion in 2018, representing a CAGR of approximately 15.7%. Supported by the continuing rising demand and expected investment in IT solution services in the next five years, market size of IT solution services in China is expected to increase at a CAGR of approximately 15.8% from RMB5,881.2 billion in 2019 to RMB10,558.3 billion in 2023.

For cloud services industry in the PRC, according to the Industry Report, the market size of the cloud services industry in the PRC increased from RMB9.5 billion to RMB31.4 billion with a CAGR of 27.0% and is expected to grow to RMB96.3 billion in 2023, from RMB39.2 billion in 2019, with a CAGR of 25.2%. The overall market of cloud services in the PRC is relatively fragmented with no distinguished market leading enterprises at the moment and top 5 participants accounted for 39.5% of the total market share in 2018.

According to the Industry Report, as at the Latest Practicable Date, there are currently under 20 IT services providers in the PRC that have been awarded as LSP of Supplier A, among which our Group is one of the two suppliers with LSP of Supplier A in Southern China and was ranked first in Southern China and fifth in the PRC in terms of revenue in 2018.

IT services providers compete with one another on, including among others, capital resources, talent, technical support and knowledge and the ability to procure corresponding government approvals and establish stable business relationships with the potential customers. For further details of our industry environment, please refer to the section headed “Industry Overview” in this prospectus.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established a set of risk management policies and measures to identify, evaluate and manage risks arising from our operations. Details on risk categories identified by our management, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies and adopted by us.

For details of the major risks identified by our management, please refer to the paragraph headed “Risk Factors – Risks relating to our Business” in this prospectus.

To monitor the ongoing implementation of our risk management policies and corporate governance and internal control measures:

- the establishment of an audit committee responsible for overseeing the financial records, internal control procedures and risk management system of our Company;
- the appointment of Ms. Li Yi as our compliance officer and Mr. Tsoi Ka Shing as our company secretary to ensure the compliance of our operation with the relevant laws and regulations. For their biographical details, please refer to the section headed “Directors and Senior Management” in this prospectus;
- the appointment of Cinda International Capital Limited as our compliance adviser upon Listing to advise us on compliance with the Listing Rules; and
- the engagement of external legal advisers to advise us on compliance with the Listing Rules and to ensure we will not be in breach of any relevant regulatory requirements or applicable laws, where necessary.

In preparation for the Listing, we had engaged in 2018 an independent internal control adviser to perform an internal control review (the “**IC Review**”) of our internal control system based on agreed scope. During the course of the IC Review, the internal control adviser identified a number of findings related to our internal control policies and procedures, pursuant to which we have taken the internal control enhancement measures recommended by the internal control adviser. The internal control adviser performed a follow-up review on the enhancement measures taken by us in response to the findings and enhancement recommendations from the internal control adviser. After considering the implementation of the enhancement measures and the result of such follow-up review, our Directors are satisfied that our internal control system is adequate and effective for our current operation environment.

LEGAL, REGULATORY AND COMPLIANCE MATTERS

Licenses, permits and approvals

As confirmed by our Directors and our PRC Legal Advisers, we have obtained all the necessary licences and qualifications which are generally required to carry out our business activities in the PRC during the Track Record Period and up to the Latest Practicable Date.

LITIGATION

As of the Latest Practicable Date, there were no litigation, arbitration or administrative proceedings pending or threatened against our Group or any of our Directors which could have a material and adverse effect on our Group’s financial condition or results of operations. We may however from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business.

LEGAL COMPLIANCE

Save as disclosed in the paragraphs below, during the Track Record Period and up to the Latest Practicable Date, our Group had complied with the relevant laws and regulations in relation to our business in all material respects, and there were no material breaches or violations of the laws or regulations applicable to us that would have a material adverse effect on our business or financial condition taken as a whole. As at the Latest Practicable Date, none of our Group or any of our Directors was engaged in any litigation or claim or arbitration of material importance, and to the best knowledge of our Directors, to be pending or threatened against our Group or our Directors.

Non-compliance in relation to social insurance contribution

Non-compliance incidents

According to the Law of Social Insurance of the PRC* (《中華人民共和國社會保險法》) and other relevant regulations, we are required to provide our employees with welfare schemes covering social insurance.

During the Track Record Period, Eden Information has failed to make full contributions to the social insurance contribution for 91 employees.

The outstanding amounts of the social insurance contribution as at 31 December 2016, 2017, 2018 and 2019 were approximately RMB0.30 million, RMB0.70 million, RMB0.86 million and Nil, respectively, totaling RMB1.86 million.

Reason(s) for the non-compliance

The non-compliance was due to the lack of sufficient knowledge on understanding the relevant laws and regulations by our administrative staff members who mistakenly and inadvertently followed the requests of the relevant employees by calculating their social insurance contributions based on their confirmations of the amounts of their salaries, instead of based on their actual salaries.

Eden Information has made full contribution payment for the social insurance contribution since 1 January 2019 in accordance with the relevant PRC laws and regulations.

On 21 September 2018, the Ministry of Human Resources and Social Security released an Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilization the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) and required that the policies for both the rate and basis of social insurance contributions shall remain unchanged until the reform on the transfer of the authority for social insurance has been completed. On 16 November 2018, the State Administration of Taxation released the Notice of Certain Measures on Further Supporting and Serving the Development of Private Economy (《關於實施進一步支持和服務民營經濟發展若干措施的通知》), which provides that the policy for social insurance shall remain stable and the State Administration of Taxation will pursue to lower the social insurance contribution rates with the relevant authorities, and ensure the overall burden of social insurance contribution on enterprises will be lowered.

Nevertheless, we have set aside approximately RMB1.86 million as provision for paying the aggregate outstanding social insurance contribution throughout the Track Record Period.

We have designated the head of the administrative department of Eden Information to follow up with the rectification of basis for calculating the social insurance contribution for the relevant employees when notification and request for payment is received. We have also assigned the head of accounting and finance department of Eden Information to oversee the calculation and payment of the social insurance contribution to prevent future non-compliance.

Remedial measures and status

We have obtained confirmations from the Shenzhen Municipality Social Insurance Fund Management Bureau* (深圳市社會保險基金管理局) on 7 January 2019, 15 July 2019 and 2 January 2020 confirming that there was no record of Eden Information being penalised for any incidents of non-compliance or breach of the laws and regulations in relation to social insurance contribution from 1 January 2013 to 31 December 2019.

Eden Information has made full contribution payment for the social insurance contribution since 1 January 2019 in accordance with the relevant PRC laws and regulations.

On 21 September 2018, the Ministry of Human Resources and Social Security released an Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilization the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) and required that the policies for both the rate and basis of social insurance contributions shall remain unchanged until the reform on the transfer of the authority for social insurance has been completed. On 16 November 2018, the State Administration of Taxation released the Notice of Certain Measures on Further Supporting and Serving the Development of Private Economy (《關於實施進一步支持和服務民營經濟發展若干措施的通知》), which provides that the policy for social insurance shall remain stable and the State Administration of Taxation will pursue to lower the social insurance contribution rates with the relevant authorities, and ensure the overall burden of social insurance contribution on enterprises will be lowered.

Nevertheless, we have set aside approximately RMB1.86 million as provision for paying the aggregate outstanding social insurance contribution throughout the Track Record Period.

We have designated the head of the administrative department of Eden Information to follow up with the rectification of basis for calculating the social insurance contribution for the relevant employees when notification and request for payment is received. We have also assigned the head of accounting and finance department of Eden Information to oversee the calculation and payment of the social insurance contribution to prevent future non-compliance.

Legal consequence and potential financial liabilities

We are advised by our PRC Legal Advisers that according to the Law of Social Insurance of the PRC* (《中華人民共和國社會保險法》), a daily overdue late fee of 0.05% of the outstanding social insurance contribution may be imposed by the competent authorities from the due date. If Eden Information fails to make full payment of the outstanding social insurance contribution and the overdue late fee within the prescribed time limit upon notification(s) or request(s) for payment, a fine in the amount of one to three times of the total outstanding contribution may be imposed.

Based on the aggregate outstanding amounts of social insurance contribution of RMB1.86 million, the overdue late fee amounts to RMB0.16 million. As of the Latest Practicable Date, Eden Information has not received any notification(s) or request(s) from the relevant government authorities requesting Eden Information to pay the outstanding amounts of social insurance contribution and the overdue late fee within a given period.

As advised by our PRC Legal Advisers, the Shenzhen Municipality Social Insurance Fund Management Bureau* (深圳市社會保險基金管理局) is competent to issue the aforesaid confirmation. Our PRC Legal Advisers is of the view that the risk of our Group being penalised due to the aforesaid non-compliance incident is low. Based on the view of our PRC Legal Advisers and the Deed of Indemnity, our Directors confirm that such non-compliance incident would not have material adverse effect on our Group's business operation.

Non-compliance in relation to housing provident fund contribution

Non-compliance incidents	Reason(s) for the non-compliance	Remedial measures and status	Legal consequence and potential financial liabilities
<p>According to the Regulations on Management of Housing Provident Fund of the PRC* (《中華人民共和國住房公積金管理條例》), we are required to make housing provident fund for our employees.</p> <p>During the Track Record Period, Eden Information has failed to make full housing provident fund contribution for 51 employees based on their actual salaries.</p> <p>The aggregate outstanding amount of the housing provident fund for the Track Record Period was approximately RMB90,000.</p>	<p>The non-compliance was due to the lack of sufficient knowledge on understanding the relevant laws and regulations by our administrative staff members who mistakenly and inadvertently followed the requests of the relevant employees by calculating their housing provident funds based on their confirmations of the amounts of their salaries, instead of based on their actual salaries.</p>	<p>We have obtained confirmations from the Shenzhen Municipality Housing Provident Fund Management Centre * (深圳市住房公積金管理中心) on 3 January 2019, 9 July 2019 and 3 January 2020 confirming that there was no record of Eden Information being penalised for any incidents of non-compliance or breach of the laws and regulations in relation to housing provident fund from December 2010 to December 2019.</p> <p>Eden Information has made full contribution payment for the housing provident fund since 1 January 2019 in accordance with the relevant PRC laws and regulations.</p> <p>As advised by our PRC Legal Advisers, Eden Information may have to pay the outstanding housing provident fund contribution for the Track Record Period of approximately RMB90,000. We have set aside such sum of approximately RMB90,000 as provision for paying the aggregate outstanding housing provident fund throughout the Track Record Period.</p> <p>We have designated the head of the administrative department of Eden Information to follow up the payment of the outstanding amount of the housing provident fund. We have also designated the head of accounting and finance department of Eden Information to oversee the calculation and payment of the housing provident fund contribution to prevent future non-compliance.</p>	<p>According to the Regulations on Management of Housing Provident Fund of the PRC* (《中華人民共和國住房公積金管理條例》), the competent authorities have the power to order the employers who failed to make housing provident fund contribution in accordance with the PRC law and regulations to make contribution within a prescribed time limit. If the employers still fail to make the housing provident fund contribution, an application for compulsory enforcement against the employers can be made to the People's Court of the PRC.</p> <p>As of the Latest Practicable Date, Eden Information has not received any notification(s) or request(s) from the relevant government authorities requesting Eden Information to pay the outstanding housing provident fund contribution of RMB90,000 within a given period.</p> <p>As advised by our PRC Legal Advisers, Shenzhen Municipality Housing Provident Fund Management Centre * (深圳市住房公積金管理中心) is competent to issue the aforesaid confirmation. Our PRC Legal Advisers is of the view that the risk of our Group being penalised or subject to compulsory enforcement by the People's Court of the PRC due to the aforesaid non-compliance incident is low.</p> <p>Based on the view of our PRC Legal Advisers and the Deed of Indemnity, our Directors confirm that such non-compliance incident would not have material adverse effect on our Group's business operation.</p>

Views of our Directors

Our Directors consider that (a) the abovementioned non-compliance incidents would not affect the suitability of our executive Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability for listing of our Company under Rule 8.04 of the Listing Rules; and (b) various internal control measures adopted by our Group are adequate and effective having taken into account that:

- (a) facts and circumstances leading to the occurrence of the non-compliance incidents and that our Group has already complied with the relevant laws and regulations as at the Latest Practicable Date as mentioned above;
- (b) the non-compliance incidents did not involve any element of fraud or dishonesty of our Directors and were principally unintentional due to the lack of relevant legal knowledge and professional advice at the relevant times;
- (c) our Directors did not obtain any personal benefit directly or indirectly from the non-compliance incidents;
- (d) remedial internal control measures have been adopted to address deficiencies in our internal control systems, including monitoring the ongoing compliance with the internal control measures, to prevent further incidents of non-compliance and to ensure our compliance with the Listing Rules and the relevant laws in the PRC and Hong Kong;
- (e) save as disclosed, our PRC Legal Advisers did not identify any further non-compliance incidents. Our internal control consultant also did not identify any further internal control deficiencies or recurring of similar non-compliance incidents in its follow-up review(s);
- (f) our Directors and senior management attended training in February 2019 in respect of the duties of directors of companies listed in Hong Kong organised by our legal adviser as to Hong Kong law that they are reminded to seek professional advice whenever necessary to ensure compliance with relevant laws and regulations;
- (g) public search including litigation search was conducted in February and March 2019 on Eden Information and each of our Directors and no material adverse findings were noted; and
- (h) if appropriate, external professional adviser(s) will be appointed to render professional advices to our Directors and assist our Directors in ensuring ongoing compliance with the statutory requirements and the Listing Rules as applicable to our Group from time to time.

DEED OF INDEMNITY

Our Controlling Shareholders have entered into a Deed of Indemnity in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, any penalties, claims, actions, demands, proceedings, judgments, losses, payments, liabilities, damages, settlement payments, costs, administrative or other charges, fees, expenses and fines of whatever nature (which shall include legal fees and costs) which may be imposed on, suffered or incurred, by any member of our Group as a result of directly or indirectly or in connection with, among others, any non-compliance with the applicable laws, rules or regulations by our Company and/or any member of our Group on or before the date on which the Share Offer becomes unconditional. Please refer to the paragraph headed “E. Other Information – 1. Tax and other indemnities” in Appendix IV to this prospectus for details of the Deed of Indemnity.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), our immediate Controlling Shareholder, Aztec Pearl, will be legally interested in 75% of the issued share capital of our Company. The entire issued share capital of Aztec Pearl is held by Tricor Equity Trustee as the trustee for the Family Trust. The Family Trust is a revocable discretionary trust established by Ms. Ding as the settlor and as the protector, with the beneficiaries of the Family Trust as Mr. Cai and Green Leaf, a company incorporated in the BVI with Ms. Ding as the sole shareholder and director. Accordingly, we consider Aztec Pearl, and through the Family Trust, Tricor Equity Trustee, Ms. Ding, Green Leaf and Mr. Cai as a group of our Controlling Shareholders for the purpose of the Listing Rules. Please refer to the section headed “Directors and Senior Management” for further details of Ms. Ding as our executive Director.

Apart from the business operated by members of our Group, none of Ms. Ding, Mr. Cai and their respective close associates and/or companies controlled by them hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group that would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on our Group’s business after the Listing independently from our Controlling Shareholders and their respective close associates and/or companies controlled by them despite a number of related party transactions were entered into during the Track Record Period as mentioned below.

We have entered into a number of related party transactions during the Track Record Period. As at 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019 and 29 February 2020 we have banking facilities amounting to approximately RMB48.5 million, RMB52.5 million, RMB31.5 million, RMB60.0 million and RMB60.0 million, respectively, of which approximately RMB12.4 million, RMB5.6 million, RMB3.4 million, nil and RMB15.0 million have been utilised for bank borrowings, and approximately RMB13.0 million, RMB10.0 million, RMB25.2 million, RMB45.0 million and RMB45.0 million have been utilised for letter of guarantee, which were guaranteed by Ms. Ding, our Controlling Shareholder, and a personal real estate owned by Ms. Ding. Further, as at 31 December 2019, our interest-bearing bank borrowings amounting to approximately RMB5.6 million was also guaranteed by Ms. Ding and an Independent Third Party finance company. In addition, as at 31 December 2016, we have RMB12,000 owed to Mr. MG Ding by our then operating subsidiary, SysTime, which has been disposed together with SysTime when the latter was disposed by our Group in 2017. As at 31 December 2019, we had due from an associate of RMB750,000 which included in trade and bill receivables in the consolidated statements of financial position, which was derived from the provision of our cloud service for the year ended 31 December 2019. Please refer to the paragraphs headed “Financial Information – Related Party Transactions” and “Financial Information – Indebtedness – Bank Borrowings” in this prospectus as well as note 35 (Related party transactions and balances) and note 28 (Interest-bearing bank borrowings) of the Accountants’ Report set out in Appendix I to this prospectus for further details.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Our Directors confirmed that these related party transactions were conducted in the ordinary course of business and on normal commercial terms. The guarantee of Ms. Ding will be discontinued and the personal real estates of Ms. Ding will be discharged upon Listing and both of which will be replaced by our corporate guarantee.

Our Group has its own internal control, accounting and financial management system, finance department, independent treasury functions for cash receipts and payments and we make financial decision according to our own business needs.

Our Directors are of the view that there has been sufficient cash flow to support the operation of our business. Save as disclosed above, for the four years ended 31 December 2019, our Group has relied principally on cash generated from operations and bank borrowings to carry on our business and this is expected to continue after the Share Offer. Accordingly, we believe we are able to maintain financial independence from our Controlling Shareholders and their close associates.

CORPORATE GOVERNANCE MEASURES

Each of the Controlling Shareholders has confirmed that he/she/it fully comprehends his/her/its obligations to act in the best interests of our Company and its Shareholders as a whole. To avoid potential conflicts of interest, our Group will implement the following measures:

- (i) our Board is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on our Board which can effectively exercise independent judgment. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors and Senior Management” in this prospectus;
- (ii) our Company has appointed Cinda International Capital Limited as our compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and internal controls. Please refer to the paragraph headed “Directors and Senior Management – Compliance Adviser” in this prospectus for further details in relation to the appointment of the compliance adviser.

DIRECTORS AND SENIOR MANAGEMENT

The Board currently consists of seven Directors comprising four executive Directors and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our business.

DIRECTORS

The following table sets out the information regarding our Directors:

Name	Age	Present Position	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Ms. Ding Xinyun (丁新雲)	49	Chairman, Chief executive officer and executive Director	21 November 2002	4 September 2018 and re-designated as an executive Director on 8 March 2019	Overall management, strategic and major decisions on the development and planning and operation of our Group	Nil
Ms. Li Yi (李翊)	38	Executive Director	12 April 2005	8 March 2019	Supervision of internal management, and in charge of legal affairs	Nil
Mr. Ling Yunzhi (凌雲志)	43	Executive Director	3 July 2017	8 March 2019	Capital operation, financing and tax planning	Nil
Ms. Peng Dongping (彭東萍)	47	Executive Director	3 July 2007	8 March 2019	Sales management and participating in decision-making in respect of major matters	Nil
Mr. Yu Kwok Leung (余國良)	44	Independent non-executive Director	14 April 2020	14 April 2020	Supervising and providing independent advice on the operation and management of our Group	Nil
Mr. Ho Ka Chun (何家進)	39	Independent non-executive Director	14 April 2020	14 April 2020	Supervising and providing independent advice on the operation and management of our Group	Nil
Mr. Liang Chi (梁赤)	61	Independent non-executive Director	14 April 2020	14 April 2020	Supervising and providing independent advice on the operation and management of our Group	Nil

Executive Directors

Ms. Ding Xinyun (丁新雲) (“Ms. Ding”), aged 49, is the founder of our Group, our executive Director, Chairman, chief executive officer and one of our Controlling Shareholders. She was appointed as a Director on 4 September 2018, and redesignated as an executive Director on 8 March 2019. She is responsible for the overall management, strategic and major decisions on the development and planning and operation of our Group. Ms. Ding is also a director of Aztec Pearl, Green Leaf, Frontier View, Edensoft International, Shenzhen Yundeng, Eden Information and Dongguan Edensoft as well as the settlor and the protector of the Family Trust.

Ms. Ding is the founder of our Group. She founded our major operating subsidiary, Eden Information, as a majority shareholder in November 2002. On establishment of Eden Information, Ms. Ding has been appointed as the executive director, legal representative and general manager of Eden Information, responsible for its daily operation and management.

Before establishing Eden Information, Ms. Ding was appointed as the executive director, legal representative and general manager of Shenzhen Yiting Information Co., Ltd.* (深圳市伊汀資訊有限公司) in December 1994, a company established in the PRC in December 1994 and engaged in the businesses of information consultation on the development of computer and telecommunication software. Ms. Ding remained in the positions as the chairman of the board of directors, legal representative and general manager of Shenzhen Yiting Information Co., Ltd.* (深圳市伊汀資訊有限公司) when it was deregistered in February 2019.

DIRECTORS AND SENIOR MANAGEMENT

Besides, Ms. Ding was a shareholder holding 50% shareholdings in Shenzhen Yideng Industrial Co., Ltd.* (深圳市伊登實業有限公司), a company which was established in November 1996 and engaged in the businesses of local commerce, supply chain, economic information consultation and computer information systems, since May 2005 until she disposed them in July 2015. Ms. Ding was the supervisor of Shenzhen Yideng Industrial Co., Ltd.* (深圳市伊登實業有限公司) during the period when she was a shareholder.

Based on when Ms. Ding participated in the businesses relating to the development and services of information technology, she has over 20 years of experience in the industry. Ms. Ding has been the key driver of implementing our Group's business strategies and contributing to our Group's achievements over the past 16 years and she will continue to oversee the management and business operations of our Group.

Ms. Ding obtained a Bachelor degree in Library and Information Science (currently known as Information Management) from Central China Normal University* (華中師範大學), the PRC, in June 1990 and an Executive Master of Business Administration Degree from Guanghua School of Management, Peking University* (北大光華管理學院), the PRC, in July 2007.

Ms. Ding was the legal representative, a director, the general manager or the supervisor of the following companies which were incorporated in the PRC at the respective times when their business licenses were deregistered. The details are as follows:

Name of company	Position	Shareholdings of Ms. Ding in the company on deregistration	Brief description of business of the company	(a) Date of revocation of business license; and (b) Date of deregistration	Reason(s) of deregistration	Present status of the deregistration
Shenzhen City Eden Cloud Technology Company Limited* (深圳市伊登雲科技有限公司)	Supervisor	70% held by Eden Information which Ms. Ding was interested	Design of computer program and computer software, and domestic trading	(a) Not applicable (b) 16 September 2015	Deregistered for consolidation of business into Eden Information	Deregistration completed
Shenzhen City Eden Yuan Technology Company Limited* (深圳市伊登源科技有限公司)	Supervisor	40%	Design of computer program and computer software, and domestic trading	(a) Not applicable (b) 30 September 2015	Deregistered for consolidation of business into Eden Information	Deregistration completed
Shanghai Eden Computer System Company Limited* (上海伊登計算機系統有限公司)	Supervisor	50%	Services on computer, software and systems integration; research and development of computer software and apparatus and sales of office equipment and apparatus	(a) 19 May 2009 (b) 7 January 2019	Deregistered due to cessation of business	Deregistration completed
Shanghai Eden Software Company Limited* (上海伊登軟件有限公司)	Supervisor	35%	Computer hardware and software network engineering, multi-media system integration, technical development, transfer, consultation, service and sales of automatic office and related products	(a) 12 June 2009 (b) 8 January 2019	Deregistered due to cessation of business	Deregistration completed
Shenzhen City Yiting Information Company Limited* (深圳市伊汀資訊有限公司)	Legal representative, chairman of the board of directors and general manager	Nil	Information consultation on development of computer and communication software	(a) 8 February 2002 (b) 1 February 2019	Deregistered due to cessation of business	Deregistration completed
Shenzhen City Leyuan Computer Software Company Limited* (深圳市樂園計算機軟件有限公司)	Legal representative, executive director and general manager	50%	Technical development and sales of computer software and apparatus, computer system integration and technical services	(a) 29 August 2006 (b) 3 February 2019	Deregistered due to no business operation	Deregistration completed

DIRECTORS AND SENIOR MANAGEMENT

Given the deregistration of Shenzhen City Eden Cloud Technology Company Limited* (深圳市伊登雲科技有限公司) and Shenzhen City Eden Yuan Technology Company Limited* (深圳市伊登源科技有限公司) had been completed before the Track Record Period, these two companies were not consolidated into our Group. As for the other four companies, namely, Shanghai Eden Computer System Company Limited* (上海伊登計算機系統有限公司), Shanghai Eden Software Company Limited* (上海伊登軟件有限公司), Shenzhen City Yiting Information Company Limited* (深圳市伊汀資訊有限公司) and Shenzhen City Leyuan Computer Software Company Limited* (深圳市樂園計算機軟件有限公司), our Directors considered that, as all of these companies had ceased their respective businesses before the Track Record Period and thus (i) did not generate any revenue and profit, and (ii) had no business operation during the Track Record Period, these companies were excluded from our Group and therefore their financials were not consolidated into those of our Group. As confirmed by our PRC Legal Advisers, these companies were duly deregistered in or about January and February 2019 in compliance with the PRC laws.

Ms. Ding confirmed that the above companies were solvent at the time when their respective business licenses were deregistered. Ms. Ding also confirmed that there was no wrongful act on her part leading to the deregistration of the business licenses of the above companies, and she is not aware of any actual or potential claim that has been or will be made against her as a result of such deregistration.

Ms. Li Yi (李翊) (“Ms. Li”), aged 38, was appointed as an executive Director on 8 March 2019. Ms. Li is primarily responsible for supervision of internal management and is in charge of legal affairs of our Group. Ms. Li is also the compliance officer of our Company, a director of Eden Information and a limited partner holding 2% interests in Qiankun Investment.

Ms. Li obtained a Bachelor degree in Law from Central South University* (中南大學), the PRC, in June 2004. After graduating from the university, Ms. Li joined our Group in April 2005 initially as a legal assistant of Eden Information. By working with our Group since April 2005, she has more than 13 years of experience in handling and overseeing the overall internal operations and legal affairs of an IT company.

Mr. Ling Yunzhi (凌雲志) (“Mr. Ling”), aged 43, was appointed as an executive Director on 8 March 2019. Mr. Ling is responsible for capital operation, financing and tax planning of our Group.

Mr. Ling has more than 18 years’ experience in finance and accounting industry. He joined our Group as chief financial officer of Eden Information in July 2017, responsible for capital operation, financing and tax planning. Before joining our Group, Mr. Ling worked as the head of audit and legal department and investment manager of Shenzhen Wanrun Technology Co., Ltd.* (深圳萬潤科技股份有限公司) from November 2013 to September 2016, as the audit manager of Huawei Technologies Co., Ltd.* (華為技術有限公司) from January 2008 to March 2013, and as a financial officer of Foxconn Technology Group (Shenzhen)* (深圳市富士康科技集團) from November 2002 to November 2005. Mr. Ling obtained a Bachelor degree in Accounting from the Hubei University* (湖北大學), the PRC, in July 1999.

Mr. Ling was an executive director, the general manager and the chairman of liquidation committee of Shenzhen Yuntu Technology Company Limited* (深圳雲圖技術有限公司) which was incorporated in the PRC at the time when its business license was deregistered on 23 October 2019. Shenzhen Yuntu Technology Company Limited* (深圳雲圖技術有限公司) was intended to carry on decoration and design, computer system engineering, and software development and maintenance but it remained dormant since its incorporation.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ling confirms that Shenzhen Yuntu Technology Company Limited* (深圳雲圖技術有限公司) was solvent at the time when its business license was deregistered. Mr. Ling also confirmed that there was no wrongful act on his part leading to the deregistration of business license of Shenzhen Yuntu Technology Company Limited* (深圳雲圖技術有限公司), and he is not aware of any actual or potential claim which has been or will be made against him as a result of such deregistration.

Ms. Peng Dongping (彭東萍) (“Ms. Peng”), aged 47, was appointed as an executive Director on 8 March 2019. Ms. Peng is responsible for sales management. She also participates in major decision-making concerning business development and policy setting of our Group.

Ms. Peng has more than 16 years’ experience in technological development and IT services industry. She joined our Group as deputy general manager of Eden Information in July 2007, responsible for sales management. Before joining our Group, Ms. Peng was a 49% shareholder and operated Shenzhen Junmanyi Technology Co., Ltd.* (深圳市駿滿怡科技有限公司) in the positions as the legal representative, an executive director and the general manager from June 2006. After her transfer of her 19% interests in Shenzhen Junmanyi Technology Co., Ltd.* (深圳市駿滿怡科技有限公司) to Eden Information, the operation of Shenzhen Junmanyi Technology Co., Ltd.* (深圳市駿滿怡科技有限公司) ceased but she remained in the positions until it was deregistered in April 2016. For details of the Shenzhen Junmanyi Technology Co., Ltd.* (深圳市駿滿怡科技有限公司), please see the section headed “History and Reorganisation – Disposed and Dissolved Entities prior to the Reorganisation – Voluntary Dissolution of Junmanyi”. Prior to these, she was a manager of Ecs Technology (Guangzhou) Co., Ltd.* (廣州佳傑科技有限公司) from January 2002 to May 2006. Ms. Peng obtained a graduation certificate from the University of International Business and Economics* (對外經濟貿易大學), the PRC, in July 1998. She also obtained a graduation certificate for AMP Management Course from HSBC Business School of Peking University, the PRC, in May 2015, in which she studied part-time at Peking University Shenzhen Graduate School* (北京大學深圳研究生院).

Ms. Peng was the legal representative, an executive director and the general manager of Shenzhen Junmanyi Technology Co., Ltd.* (深圳市駿滿怡科技有限公司) which was incorporated in the PRC at the time when its business license was deregistered. The business license of Shenzhen Junmanyi Technology Co., Ltd.* (深圳市駿滿怡科技有限公司) was deregistered on 8 April 2016 because of cessation of operation of Shenzhen Junmanyi Technology Co., Ltd.* (深圳市駿滿怡科技有限公司) after consolidation of the customers and services/products into Eden Information.

Ms. Peng confirmed that Shenzhen Junmanyi Technology Co., Ltd.* (深圳市駿滿怡科技有限公司) was solvent at the time when its business license was deregistered. Ms. Peng also confirmed that there was no wrongful act on her part leading to the deregistration of the business license of Shenzhen Junmanyi Technology Co., Ltd.* (深圳市駿滿怡科技有限公司), and she is not aware of any actual or potential claim that has been or will be made against her as a result of such deregistration.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Yu Kwok Leung (余國良) (“**Mr. Yu**”), aged 44, was appointed as an independent non-executive Director on 14 April 2020. He is responsible for supervising and providing independent advice on the operation and management of our Group. He is also the chairman of the Remuneration Committee, and a member of each of the Nomination Committee and the Audit Committee of our Company.

Mr. Yu is a member of the Hong Kong Institute of Certified Public Accountants, with more than 18 years’ experience in accounting and finance. Mr. Yu worked for Deloitte Touche Tohmatsu from September 2000 to May 2011 with his last position as a senior manager. Mr. Yu obtained a Bachelor degree of Arts in Accountancy from the Hong Kong Polytechnic University in November 1998.

Mr. Yu is the company secretary, authorised representative and process agent of Kaisa Health Group Holdings Limited (formerly known as Mega Medical Technology Limited) (stock code: 876), the issued shares of which are listed on the Main Board of the Stock Exchange in April 1997, with effect from December 2018. He has been the company secretary and financial controller of Kaisa Group Holdings Limited (stock code: 1638), the shares of which are listed on the Main Board of the Stock Exchange in December 2009, since May 2018 and April 2016, respectively. He has also been the company secretary of Kaisa Property Holdings Limited (stock code: 2168), the shares of which are listed on the Main Board of the Stock Exchange in December 2018, with effect from March 2019. Prior to this, Mr. Yu joined Coastal Greenland Limited (stock code: 1124), the issued shares of which are listed on the Main Board of the Stock Exchange in October 1997, as a deputy financial controller in May 2011 and he has been the financial controller since January 2014 before he left in April 2016.

Mr. Yu was a director of Maxwell Capital Management Limited (豐盛資本服務有限公司) and Harvard Investments Limited, two Hong Kong incorporated private companies principally engaged in investment advisory services and were dissolved by deregistration under section 751 of the Companies Ordinance on 7 September 2018 and 15 February 2019, respectively. Mr. Yu confirms that Maxwell Capital Management Limited and Harvard Investments Limited had ceased business and were solvent as at the time of dissolution. Mr. Yu also confirms that there is no wrongful act on his part leading to the dissolution by deregistration of the companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution by deregistration of the companies.

Mr. Ho Ka Chun (何家進) (“**Mr. Ho**”), aged 39, was appointed an independent non-executive Director on 14 April 2020. He is responsible for supervising and providing independent advice on the operation and management of our Group. He is also the chairman of the Audit Committee, and a member of each of the Nomination Committee and the Remuneration Committee of our Company.

Mr. Ho obtained a Bachelor degree in business administration from the Chinese University of Hong Kong in December 2004 and is a fellow member of the Hong Kong Institute of Certified Public Accountants.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ho has been appointed as an independent non-executive director of Bao Shen Holdings Limited (stock code: 8151) since March 2018, the issued shares of which are listed on the GEM of the Stock Exchange in April 2018. Mr. Ho has also been appointed as an independent non-executive director of Fusen Pharmaceutical Company Limited (stock code: 1652) since June 2018, the issued shares of which are listed on the Main Board of the Stock Exchange in July 2018. Mr. Ho was the chief financial officer of China Tontine Wines Group Limited (stock code: 389) from January 2016 to July 2018, the issued shares of which are listed on the Main Board of the Stock Exchange in November 2009. Mr. Ho worked for the Hong Kong Office of Deloitte Touche Tohmatsu, from August 2004 to December 2012 with his last position as a manager and Deloitte Touche Tohmatsu Certified Public Accountants LLP, Guangzhou Branch from January 2013 to December 2015 with his last position as a senior manager.

Mr. Liang Chi (梁赤) (“Mr. Liang”), aged 61, was appointed as an independent non-executive Director on 14 April 2020. He is responsible for supervising and providing independent advice on the operation and management of our Group. He is also the chairman of the Nomination Committee, and a member of each of the Audit Committee and the Remuneration Committee of our Company.

Mr. Liang obtained his Bachelor degree in Law from Sun Yat-sen University (中山大學) in July 1984. Mr. Liang is a registered PRC lawyer since 1989 and a qualified real estate valuer in the PRC since 1995. He has been a lawyer in Guangdong Fangdian Law Firm* (廣東方典律師事務所) since February 2018. He previously worked in several law firms in the PRC, including Guangdong Zhongzhen Law Firm* (廣東中圳律師事務所) from July 2000 to June 2010, Guangdong Shengfang Law Firm* (廣東聖方律師事務所) from July 2011 to July 2012, Beijing Zhongtian (Shenzhen) Law Firm* (北京市眾天(深圳)律師事務所) from July 2012 to October 2013, Guangdong Fangdian Law Firm* (廣東方典律師事務所) from October 2013 to July 2016 and Guangdong Junyan Law Firm* (廣東君言律師事務所) from July 2016 to February 2018. He has been appointed as a visiting professor of the Guangdong Vocational Institute of Public Administration* (廣東行政職業學院) from March 2017 to March 2020.

Mr. Liang has been appointed as an independent non-executive director of Bao Shen Holdings Limited (stock code: 8151) since March 2018, the issued shares of which are listed on GEM of the Stock Exchange in April 2018. Mr. Liang has been a supervisor of Avic International Holdings Limited since June 2015 (stock code: 161), the issued shares of which are listed on the Main Board of the Stock Exchange in September 1997. He was an independent director of Shenzhen Derun Electronics Co., Ltd. (深圳市得潤電子股份有限公司), a listed company on the Shenzhen Stock Exchange (stock code: 2055) from May 2010 to November 2014.

Mr. Liang was a director of Kinglex (China) Law Info Limited (鼎言(中國)法律資訊有限公司), a Hong Kong incorporated company principally engaged in legal software business and dissolved by striking off under section 291 of the Predecessor Companies Ordinance on 1 April 2011. Mr. Liang confirms that immediately prior to its dissolution, Kinglex (China) Law Info Limited ceased to carry on any business and was solvent. Mr. Liang had confirmed that there is no fraudulent act or misfeasance on his part leading to the dissolution and struck-off this company and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution and struck-off of such company.

To the best of the knowledge, information and belief of our Directors, having made all reasonable enquires, save as disclosed above, none of our Directors has any other directorships in listed companies during the three years immediately prior to the date of this prospectus, and there is no information of each of the Directors which needs to be disclosed pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters that need to be brought to the attention of the Shareholders under Rule 13.51(2) of the Listing Rules in connection with his/her appointment as a Director.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets out the information regarding our senior management:

Name	Age	Present Position	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Xu Qingtang (徐慶堂)	39	Technical Manager	23 July 2010	Technical design planning, project implementation management, PPE project cost assessment, resource coordination	Nil
Chen Junmin (陳軍民)	40	Chief R&D officer	1 July 2016	Product development, process formulation, equipment operation and technology improvement	Nil

Mr. Xu Qingtang (徐慶堂) (“**Mr. Xu**”), aged 39, is the technical manager of our Group, responsible for technical design planning, project implementation management, PPE project cost assessment and resource coordination.

Mr. Xu has more than 12 years’ experience in technological development and IT services industry. He joined our Group as the technical manager of Eden Information in July 2010. Before joining our Group, Mr. Xu worked as a system administrator of Shenzhen Daily Internet Co., Ltd.* (深圳市日訊互聯網有限公司) from June 2006 to July 2010. Mr. Xu obtained a Diploma in computer information management from the Shaanxi Vocational College of Electronic Science & Technology* (陝西電子信息職業技術學院), the PRC, in July 2005 through Self-taught Higher Education Exam of Self-study Examination Office Higher Education Bureau of Shaanxi Province* (陝西省高等教育自學考試).

Mr. Chen Junmin (陳軍民) (“**Mr. Chen**”), aged 40, is the chief R&D officer of our Group, responsible for product development, process formulation, equipment operation and technology improvement.

Mr. Chen has more than 14 years’ experience in technological development and IT services industry. He joined our Group as R&D officer of Eden Information in July 2016. Before joining our Group, Mr. Chen worked as product testing expert at the product testing unit of the engineering technical centre of Shenzhen Gongjin Electronics Co., Ltd.* (深圳市共進電子股份有限公司), a listed company on the Shanghai Stock Exchange (stock code: 603118), from November 2015 to May 2016. He also worked in the position for electronic software design engineering and as software management and development expert of Software Development Enterprise* (鴻富錦精密工業(深圳)有限公司), a subsidiary of Foxconn Technology Group* (富士康科技集團), from July 2004 to October 2011 and subsequently in the same position for Tianjin Foxconn Technology Group from October 2011 to October 2015. Mr. Chen obtained a Bachelor degree in Computer Science and Technology from the South Central University for Nationalities* (中南民族大學), the PRC, in June 2004 and a Master Degree in Software Engineering from the Xi’an Jiaotong University* (西安交通大學), the PRC, in June 2010.

To the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, save as disclosed above, none of the above members of senior management has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. Tsoi Ka Shing (蔡嘉誠) (“**Mr. Tsoi**”), aged 39, was appointed as company secretary of our Company on 14 April 2020, responsible for our Group’s overall company secretarial and financial matters.

Mr. Tsoi has approximately 13 years of experience in accounting and financing. Mr. Tsoi joined our Group on 14 April 2020 as the company secretary of our Company. Mr. Tsoi has been appointed as the chief financial officer and company secretary of Bao Shen Holdings Limited (stock code: 8151) since March 2018, the issued shares of which are listed on GEM of the Stock Exchange on 23 April 2018. Mr. Tsoi has also been appointed as an independent non-executive director of Wenling Zhejiang Measuring and Cutting Tools Trading Centre Company Limited since 1 August 2018, the issued shares of which are being applied for listing on the Main Board of the Stock Exchange. Prior to joining our Group, Mr. Tsoi worked as the chief financial officer and company secretary of China Harvest Finance Group Limited from September 2014 to December 2015. Mr. Tsoi was the company secretary from June 2011 to September 2014 and financial controller from June 2011 to June 2014 of Teamway International Group Holdings Limited (stock code: 1239, formerly known as Jin Bao Bao Holdings Limited), the issued shares of which are listed on the Main Board of the Stock Exchange from November 2011. In addition, Mr. Tsoi worked as senior accountant and assistant manager of Shinewing (HK) CPA Limited from August 2009 to November 2010, as senior auditor of Deloitte Touche Tohmatsu from January 2008 to August 2009, as auditor of CCIF CPA Limited from February 2007 to January 2008, and as audit intermediate of Yau and Wong, CPA from July 2005 to February 2007.

Mr. Tsoi obtained a Bachelor of Business degree from the University of Technology, Sydney in July 2005. Mr. Tsoi was accredited as a certified practicing accountant by CPA Australia and certified public accountant by Hong Kong Institute of Certified Public Accountants in November 2009 and May 2011, respectively.

BOARD DIVERSITY POLICY

Our Company will adopt a board diversity policy (the “**Board Diversity Policy**”) upon listing, which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. Our Company recognises and embraces the benefits of the Board diversity to enhance the quality of its performance and endeavours to ensure that the Board has appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. Our Company seeks to achieve Board diversity by selection of candidates for the Board through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, professional experience, skills, knowledge and length of service. Our Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board. All Board appointments will be based on meritocracy having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Our Board comprises of seven members, including three female executive Directors. Our Directors also have a balanced mix of knowledge and experience in the areas of integrated IT solution and cloud services, legal, finance and accounting. None of the Directors is related to one another. We have three independent non-executive Directors with different industry backgrounds, representing more than one-third of the members of our Board.

We will review the objectives of the Board Diversity Policy from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. After listing, the Nomination Committee will review the Board Diversity Policy and monitor its implementation. The Nomination Committee will report annually to shareholders in the corporate governance section of the annual report of our Company on the process adopted in relation to the Board appointments and the consideration given to the diversity on the Board.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION POLICY

The Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses with reference to salaries paid by comparable companies, time commitment and the performance of our Group. Our Group regularly reviews and determines the remuneration and compensation package of the Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and senior management and the performance of our Group.

After the Listing, our remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group. The Directors may also receive options to be granted under the Share Option Scheme.

REMUNERATIONS OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of fees, salaries, allowances, benefits-in-kind and pension scheme contribution. We determine the remuneration of our Directors and senior management with reference to their respective experience, responsibilities, individual performance, salaries paid by comparable companies and the performance of our Group.

For the four years ended 31 December 2019, the aggregate remuneration (including Director's fee, basic salary, allowance, benefits in kind and pension scheme contribution) paid by our Group to the Directors, were approximately RMB0.8 million, RMB1.1 million, RMB1.4 million and RMB1.4 million respectively.

For the four years ended 31 December 2019, the aggregate remuneration paid by our Group to the five highest paid individuals (excluding 1 Director for the four years ended 31 December 2019) of our Group were approximately RMB1.7 million, RMB2.1 million, RMB2.1 million and RMB2.1 million, respectively.

Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment of any discretionary benefits or bonus or other fringe benefits) payable by our Company to each of the Directors will be as follows:

HK\$

Executive Directors

Ms. Ding Xinyun	360,000
Ms. Li Yi	300,000
Mr. Ling Yunzhi	300,000
Ms. Peng Dongping	300,000

Independent non-executive Directors

Mr. Yu Kwok Leung	120,000
Mr. Ho Ka Chun	120,000
Mr. Liang Chi	120,000

During the Track Record Period, no other payments have been paid by our Group to, or received by, our Directors or our five highest paid individuals as: (i) an inducement to join or upon joining our Group or (ii) compensation for the loss of office as a director or management of any members of our Group.

DIRECTORS AND SENIOR MANAGEMENT

None of our Directors waived any emoluments for the four years ended 31 December 2019. Save as disclosed above, no other payments have been made or are payable by any member of our Group to any of our Directors and the five highest paid individuals during the Track Record Period.

For information on Directors' remuneration during the Track Record Period as well as information on the five highest paid individuals, please see notes 11 and 12 to our consolidated financial information included in the Accountants' Report set out in Appendix I to this prospectus.

BOARD COMMITTEES

Audit Committee

Our Company established the Audit Committee on 14 April 2020 with its written terms of reference in compliance with the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise our financial reporting process and internal control and risk management system, nominate and monitor external auditors, provide advice and comments to the Board on matters related to corporate governance and perform other duties and responsibilities as assigned by the Board.

The Audit Committee consists of three members, being Mr. Yu Kwok Leung, Mr. Ho Ka Chun and Mr. Liang Chi. Mr. Ho Ka Chun currently serves as the chairman of the Audit Committee.

Remuneration Committee

Our Company established the Remuneration Committee on 14 April 2020 with its written terms of reference in compliance with the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are, among other things, to make recommendations to the Board on our Company's policy for human resource management as well as establish and review policies and structure in relation to remuneration for our directors and senior management.

The Remuneration Committee consists of three members, being Mr. Yu Kwok Leung, Mr. Ho Ka Chun and Mr. Liang Chi. Mr. Yu Kwok Leung currently serves as the chairman of the Remuneration Committee.

Nomination Committee

Our Company established the Nomination Committee on 14 April 2020 with its written terms of reference in compliance with the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are, among other things, to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

The Nomination Committee consists of three members, being Mr. Yu Kwok Leung, Mr. Ho Ka Chun and Mr. Liang Chi. Mr. Liang Chi currently serves as the chairman of the Nomination Committee.

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interest of the Shareholders. To accomplish this, save for the deviation from the Code Provision A.2.1, our Company will comply with the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules after the Listing.

DIRECTORS AND SENIOR MANAGEMENT

Code Provision A.2.1 stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Ding is the chairperson of the Board and the chief executive officer of our Company. In view that Ms. Ding being one of our founders of our Group and has been operating and managing Eden Information, the major operating subsidiary of our Group, since November 2002, the Board believes that the vesting of the roles of chairman and chief executive officer in Ms. Ding is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to our Group. In addition, due to the presence of three independent non-executive Directors which represents over half of the Board, the Board considers that there is a balance of power and authority such that no one individual has unfettered power of decision. Accordingly, our Company has not segregated the roles of our chairman and chief executive officer as required by Code Provision A.2.1 of Appendix 14 to the Listing Rules.

Our Directors will continue to review and consider splitting the roles of chairperson and chief executive of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole. Our Directors will further review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports upon Listing.

SHARE OPTION SCHEME

Our Group has conditionally adopted the Share Option Scheme under which employees of our Group including executive Directors and other eligible participants may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus.

WAIVER GRANTED BY THE STOCK EXCHANGE

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, please see the paragraph headed “Waiver from Strict Compliance with the Listing Rules – Waiver in relation to Management Presence in Hong Kong” of this prospectus.

COMPLIANCE ADVISER

We have agreed to appoint Cinda International Capital Limited to be our compliance adviser upon Listing on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. We have entered into a compliance adviser’s agreement with Cinda International Capital Limited prior to the Listing Date, the material terms of which are as follows:

- (i) the term of appointment of the compliance adviser will commence on the Listing Date of our Company and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier;
- (ii) the compliance adviser will provide us with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and advice on the continuing requirements under the Listing Rules and applicable laws and regulations;

DIRECTORS AND SENIOR MANAGEMENT

- (iii) our Company will consult with and, if necessary, seek advice from Cinda International Capital Limited as our compliance adviser in the following circumstances:
 - (1) before the publication of any regulatory announcement, circular or financial report;
 - (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
 - (3) where our Company proposes to use the net proceeds from the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
 - (4) where the Stock Exchange makes any enquiry to our Company under Rule 13.10 of the Listing Rules.
- (iv) the compliance adviser will serve as a channel of communication with the Stock Exchange.

SHARE CAPITAL

SHARE CAPITAL

The share capital of our Company immediately following the Capitalisation Issue and the Share Offer, without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, will be as follows:

Authorised share capital

	<i>HK\$</i>
<u>5,000,000,000</u> Shares of HK\$0.01 each	<u>50,000,000</u>

Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:

	<i>HK\$</i>
2 Shares in issue at the date of this prospectus	0.02
1,499,999,998 Shares to be issued pursuant to the Capitalisation Issue	14,999,999.98
<u>500,000,000</u> Shares to be issued pursuant to the Share Offer	<u>5,000,000</u>
<u>2,000,000,000</u> Total	<u>20,000,000</u>

Assuming the Over-allotment Option is exercised in full (without taking into account any Shares which may be issued pursuant to the exercise of any option granted under the Share Option Scheme), our issued share capital immediately following the Capitalisation Issue and the Share Offer will be as follows:

Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer and the exercise of the Over-allotment Option:

	<i>HK\$</i>
2 Shares in issue at the date of this prospectus	0.02
1,499,999,998 Shares to be issued pursuant to the Capitalisation Issue	14,999,999.98
500,000,000 Shares to be issued pursuant to the Share Offer	5,000,000
75,000,000 Shares to be issued upon exercise of the Over-allotment Option in full	<u>750,000</u>
<u>2,075,000,000</u> Total	<u>20,750,000</u>

SHARE CAPITAL

MINIMUM PUBLIC FLOAT

At least 25% of the total issued share capital of our Company must at all times be held by the public. The 500,000,000 Offer Shares represent not less than 25% of the issued share capital of our Company upon Listing.

RANKING

The Offer Shares will rank *pari passu* in all respects with all other existing Shares in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 14 April 2020, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors are authorised to allot and issue a total of 1,499,999,998 Shares credited as fully paid at par to the holder(s) of the Shares on the register of members of our Company at the close of business on 14 April 2020 in proportion to its/their existing shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$14,999,999.98 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the paragraph headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that such number of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Amended and Restated Memorandum and Articles of Association of our Company or pursuant to a specific authority granted by the shareholders of our Company in general meeting or pursuant to the Share Offer and the Capitalisation Issue) shall not exceed:

- (a) 20% of the total number of Shares of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer (not including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme); and
- (b) the aggregate number of shares repurchased by our Company (if any) pursuant to the authority granted to our Directors referred to in the paragraph headed “General Mandate to Repurchase Shares” in this section.

SHARE CAPITAL

This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

For further details of this general mandate, please refer to the paragraph headed “Statutory and General Information – A. Further Information about Our Company – 3. Written resolutions of our sole Shareholder passed on 14 April 2020” set out in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the paragraph headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with such number of Shares not exceeding 10% of the total number of Shares in issue of our Company immediately following the completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and such repurchases are made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “Statutory and General Information – A. Further Information about Our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company; or
- (b) the expiration of the period within which the next annual general meeting is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraphs headed “Statutory and General Information – A. Further Information about Our Company – 3. Written resolutions of our sole Shareholder passed on 14 April 2020” and “Statutory and General Information – A. Further Information about Our Company – 6. Repurchase of our Shares by our Company” set out in Appendix IV to this prospectus.

SHARE CAPITAL

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the paragraph headed “Statutory and General Information – D. Share Option Scheme” set out in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETINGS ARE REQUIRED

As a matter of Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” set out in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

LONG POSITION IN THE SHARES

(A) *Interests in our Company*

Name	Capacity/nature of interest	Number of Shares held/ interested in as at the date of filing the application for the Listing	Percentage of shareholding as at the date of filing the application for the Listing	Number of Shares held/ interested in after completion of the Capitalisation Issue and Share Offer	Percentage of shareholding after completion of the Capitalisation Issue and the Share Offer
Aztec Pearl (Note 1)	Registered Owner	2	100%	1,500,000,000	75%
Tricor Equity Trustee (Note 1, 2)	Trustee of the Family Trust and interest of controlled corporation	2	100%	1,500,000,000	75%
Ms. Ding (Note 1)	Settlor of discretionary trust and beneficial interest	2	100%	1,500,000,000	75%
Green Leaf (Note 1)	Beneficiary of the Family Trust	2	100%	1,500,000,000	75%
Mr. Cai (Note 1)	Beneficiary of the Family Trust	2	100%	1,500,000,000	75%
Mr. Yan Shi (Note 3)	Interest of spouse	2	100%	1,500,000,000	75%

Note 1: Aztec Pearl is wholly-owned by Tricor Equity Trustee acting as the trustee of the Family Trust. The Family Trust is a revocable discretionary trust established by Ms. Ding as the settlor and the protector. The beneficiaries of the Family Trust are Green Leaf and Mr. Cai. Ms. Ding is deemed to be interested in 1,500,000,000 Shares held by the Family Trust.

Note 2: Tricor Equity Trustee is the trustee of the Family Trust and holds 100% issued share capital of Aztec Pearl, thus Tricor Equity Trustee is deemed to be interested in all the Shares held by Aztec Pearl for the purpose of the SFO.

Note 3: Mr. Yan Shi is the spouse of Ms. Ding. Therefore, Mr. Yan Shi is deemed to be interested in 1,500,000,000 Shares for the purpose of the SFO.

SUBSTANTIAL SHAREHOLDERS

(B) Interest in other members of our Group

Name of shareholders	Name of subsidiary of our Company	Capacity/Nature of interest	Immediately following the completion of the Capitalisation Issue and the Share Offer	
			Equity interests (RMB'000)	Approximate percentage of equity interests in the subsidiary of our Company
Fuzhou Career Technical Institute* (福州職業技術學院)	Fuzhou Donghu	Beneficial owner of Fuzhou Fuzhi Yunzhi Education Investment Co., Ltd.* (福州福職蘊智教育投資有限公司)	2,550	51%
Chen Liangsong (陳良松)	Fuzhou Donghu	Beneficial owner of Fujian Xindonghu Technology Development Co., Ltd.* (福建新東湖科技發展有限公司)	1,250	25%
Chen Xin (陳鑫)	Fuzhou Donghu	Beneficial owner of Fujian Xindonghu Technology Development Co., Ltd.* (福建新東湖科技發展有限公司)	1,250	25%

For details of our Director's interests in Shares immediately following the completion of the Share Offer, please refer to the paragraph headed "Statutory and General Information – C. Further Information about Substantial Shareholders, Directors and Experts" in Appendix IV to this prospectus.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would be required 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 who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries. Our Directors are not aware of any arrangement which may at a subsequent date resulted in a change of control of our Company.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial statements including the notes thereto, as set forth in the Accountants' Report included as Appendix I to this prospectus. The Accountants' Report has been prepared on the basis set out in Appendix I to this prospectus and in accordance with our accounting policies that are in conformity with Hong Kong Financial Reporting Standards ("HKFRSs").

Our historical results do not necessarily indicate our performance for any future periods. The following discussion and analysis of our financial conditions and results of operations contain forward-looking statements that involve risks and uncertainties. Our actual results may differ from those discussed below due to a number of factors, including those set out in the sections headed "Risk factors", "Forward-looking Statements", "Business" and elsewhere in this prospectus.

Potential investors should read the whole of the Accountants' Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section.

OVERVIEW

Our business consists of three segments which include (i) IT infrastructure services; (ii) IT implementation and supporting services and (iii) cloud services.

During the Track Record Period, we derived our revenue from (i) IT infrastructure services where we assess our customers' needs and their existing IT environment and advise them on the suitable hardware and/or software that their IT environment would require and procure the relevant hardware and/or software products; (ii) IT implementation and supporting services which generally refers to design of IT solutions, development and/or implementation of solution based software and/or hardware products, as well as provision of technical and maintenance support services. We generally provide tailor-made IT implementation and supporting services to cater for our customers' requirement. Our contracts for provision of IT implementation and supporting services are generally obtained on a project basis. We may subcontract certain parts of our IT implementation and supporting services such as the IT services for file management, the establishment of IT services management platform and the technical and maintenance support services to avoid incurring extra cost for employing a large number of staff or specialised technician and thereby increase our flexibility in our resource management; and (iii) cloud services which generally refer to design, management and technical support for using cloud platforms provided by us, such as our self-developed cloud platform, namely Eden Cloud, and other third party platform. Our cloud platforms provide different types of cloud services including but not limited to cloud services management platform, documents sharing, cloud storage and data migration. In addition, we provide a wide range of third party software as well as our self-developed software in our cloud platforms, through which our customers can use these software on a monthly/annual subscription basis, without paying the full price/license fees for acquiring and/or installing these software in their own IT systems. We generally charge our customers for using our cloud services over an agreed service period for a fixed service fee which are usually payable on a monthly/annual subscription basis. Our service is deemed to be completed once our service period has expired.

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For the four years ended 31 December 2019, our revenue were approximately RMB327.3 million, RMB468.4 million, RMB612.1 million and RMB791.9 million, respectively. And our net profit were approximately RMB12.0 million, RMB22.3 million, RMB27.1 million and RMB24.5 million, respectively.

MAJOR FACTORS AFFECTING OUR FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:-

Our ability to maintain business relationships with IT products vendors

Our close collaboration with IT products vendors has enabled us to acquire advanced and extensive skills and knowledge in the latest IT technologies. As a result, we are capable of delivering more client-specific, productive and high quality IT infrastructure and implementation and supporting services to meet the ever-changing IT requirements of our clients in a timely and cost-efficient manner, thereby allowing us to strengthen our relationships with existing clients and attract business from new clients. As our business relies heavily on our ability to provide high quality IT infrastructure and implementation and supporting services that suits the specific needs of our clients, failure to be retained as business partners by IT products vendors and their authorised resellers/distributors may reduce our competitiveness, increase our purchase costs and hence decrease our gross profit margin and affect our profitability.

Fluctuation of prices of components of our cost of sales

For the four years ended 31 December 2019, our (i) software cost; and (ii) cloud service cost are the major components of our cost of sales and accounted for (i) approximately 60.7%, 49.2%, 40.4% and 44.8%; and (ii) approximately 13.1%, 27.9%, 29.0% and 29.4% of our total cost of sales, respectively. Any fluctuations in the cost of software and cloud service cost and our ability to pass such cost escalations to our customers may affect our profitability.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of our cost of software and cloud service cost on our profit before tax during the Track Record Period, assuming all other variables remain constant. According to the Industry Report, price index for software (including all software in the IT solution service includes but not limited to all common enterprise software and also cloud-related software) shall continue to grow at a CAGR of approximately 1.0% as the emerging new technology driving the price of the software in the market. For prudence sake and taking into account the historical fluctuation on the same during the Track Record Period for our Group, we adopted a hypothetical fluctuations of 2% and 4% for cost of software and 5% and 10% for cloud service cost in performing the below sensitivity analysis. Our Directors confirm that the below hypothetical fluctuations in our cost of software and cloud service cost commensurate with the historical fluctuations during the Track Record Period.

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Hypothetical fluctuations of cost of software

	+/-2% RMB'000	+/-4% RMB'000
Increase/decrease in cost of software		
For the year ended 31 December 2016	+/-3,516	+/-7,031
For the year ended 31 December 2017	+/-4,526	+/-9,053
For the year ended 31 December 2018	+/-5,070	+/-10,140
For the year ended 31 December 2019	+/-7,413	+/-14,827
Decrease/increase in profit before tax		
For the year ended 31 December 2016	-/+3,516	-/+7,031
For the year ended 31 December 2017	-/+4,526	-/+9,053
For the year ended 31 December 2018	-/+5,070	-/+10,140
For the year ended 31 December 2019	-/+7,413	-/+14,827

Hypothetical fluctuations of cloud service cost

	+/-5% RMB'000	+/-10% RMB'000
Increase/decrease in cloud service cost		
For the year ended 31 December 2016	+/-1,902	+/-3,804
For the year ended 31 December 2017	+/-5,726	+/-11,453
For the year ended 31 December 2018	+/-7,755	+/-15,510
For the year ended 31 December 2019	+/-10,426	+/-20,852
Decrease/increase in profit before tax		
For the year ended 31 December 2016	-/+1,902	-/+3,804
For the year ended 31 December 2017	-/+5,726	-/+11,453
For the year ended 31 December 2018	-/+7,755	-/+15,510
For the year ended 31 December 2019	-/+10,426	-/+20,852

Our ability to keep up with changes in technology

The IT infrastructure and implementation and supporting services industry as well as cloud service industry are characterised by rapid technological improvements, evolving industry standards, changing client preferences and frequent introduction of new solutions, services and products. Our ability to develop innovative solutions, services and applications for the cloud platform to meet our clients' evolving needs is critical to our competitiveness and reputation. If we are unable to adapt to evolving market demand and the continuing development and progress of IT technologies, our ability to innovate and meet client needs would suffer and our profitability and financial performance may be adversely affected.

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BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed “History and Reorganisation – Reorganisation” in this prospectus, our Company became the holding company of the companies now comprising our Group subsequent to the end of the Relevant Periods on 1 March 2019.

The Reorganisation only involved inserting new holding entities, including Shenzhen Yundeng, at the top of Eden Information, the then holding company of our Group, and has not resulted in any change of economic substances. Accordingly, for the purpose of this report, the Historical Financial Information in 2016, 2017, 2018 and 2019 has been presented as a continuation of Eden Information and its subsidiaries as if our Company had been the holding company of Eden Information and its subsidiaries at the beginning of the Relevant Periods.

All intra-group transactions and balances have been eliminated on consolidation.

BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which comprise all standards and interpretations approved by the HKICPA. All HKFRSs (except for HKFRS 9 *Financial Instruments*) effective for the accounting period commencing from 1 January 2018, together with the relevant transitional provisions, have been early adopted by our Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15, issued in July 2014, established a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised 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 recognising 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. The standard has superseded all previous revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard.

Our Group has applied HKFRS 15 using the full retrospective method of adoption. Our Group has elected to apply the practical expedient for completed contracts and has not restated amounts for contracts completed before 1 January 2016.

The accounting policy for our Group’s main types of revenue is presented in note 5 which has been updated to reflect the application of HKFRS 15. Our Group’s contract assets and contract liabilities under HKFRS 15, have been separately disclosed in the consolidated statements of financial position in the Historical Financial Information. More extensive disclosure on our Group’s revenue transactions and additional disclosures for the contract assets, contract liabilities and information about performance obligations have been made in the Historical Financial Information upon the application of HKFRS 15.

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All customer contracts in force throughout the Track Record Periods have been reviewed and assessed and it was determined that the application of HKFRS 15 had no significant impact on the recognition and measurement of revenue.

The application of HKFRS 15 had no significant impact on the financial position and/or financial performance of our Group.

HKFRS 9 Financial Instruments

HKFRS 9 *Financial Instruments* replaces Hong Kong Accounting Standard (“HKAS”) 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

Our Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. The financial information from 1 January 2016 to 31 December 2017 was not restated and continues to be reported under HKAS 39.

Our Directors considered that the application of HKFRS 9 had no significant impact on the financial position and/or financial performance of our Group.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which our Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between our Group and the customer at contract inception. When the contract contains a financing component which provides our Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

The following is a description of the accounting policy for the principal stream of our Group:

- IT infrastructure services:

Revenue from the IT infrastructure services are generally recognized at the point when the control of the software and/or hardware products transferred to the customer, generally after the completion of assessing customers’ needs and their existing IT environment and advising them on the suitable hardware

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and/or software products that their IT environment would require and procuring the relevant hardware and/or software products from IT products vendors and installing these software and/or hardware products in customers' IT environment.

– IT implementation and supporting services:

Our Group provides multiple deliverables to customers under the contracts of IT implementation and supporting services which comprise of (i) IT design and implementation services, (ii) provision of IT supporting and maintenance services, and (iii) sale of solution-based software and/or hardware products and related services.

Revenue from provision of IT design and implementation services is generally recognised over time, using an input method to measure progress towards complete satisfaction of the service because our Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services.

Revenue from provision of IT supporting and maintenance services is generally recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by our Group.

Revenue from sale of solution-based software and/or hardware products and related services is recognised at the point in time when control of the asset is transferred to the customer.

– Cloud services:

Our Group offer design, management and technical support for using cloud platforms which include our self-developed cloud platform and other third party cloud platforms. Our Group provides multiple deliverables to customers under the contracts of cloud services, which comprise of (i) contracts of cloud platform design services, (ii) contracts of cloud solutions services, and (iii) contracts of sale of solution-based software and/or hardware products and related services.

Revenue from provision of cloud platform design services is generally recognised over time, using an input method to measure progress towards complete satisfaction of the service, because our Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services.

Revenue from provision of cloud solutions services in relation to annual/monthly subscription fee for cloud-related software used under the cloud platforms is generally recognized over the scheduled period of time on a straight-line basis because our customer simultaneously receives and consumes the benefits provided by our Group.

Revenue from sale of solution-based software and/or hardware products and related services is recognized at the point in time when control of the asset is transferred to the customer.

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HKFRS 16 Lease

HKFRS 16 supersedes HKAS 17 Leases, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC)-15 Operating Leases – Incentives and HK(SIC)-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged under HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

Our Group has applied HKFRS 16 using the full retrospective method of adoption.

The table set forth below summarises the impacts of the adoption of HKFRS 16 on certain key items of our consolidated financial statements and key ratios:

	Note	For the year ended/As at 31 December								
		2016			2017			2018		
		Currently reported under HKFRS 16	As if reported under HKAS 17	Difference	Currently reported under HKFRS 16	As if reported under HKAS 17	Difference	Currently reported under HKFRS 16	As if reported under HKAS 17	Difference
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net assets		28,010	28,184	(174)	44,209	44,436	(227)	65,158	65,364	(206)
Net profit		12,011	12,133	(122)	22,273	22,326	(53)	27,130	27,109	21
Gearing ratio	1	212.9%	211.5%	1.4%	26.3%	26.1%	0.2%	9.1%	9.1%	–
Current ratio	2	1.1	1.2	(0.1)	1.4	1.4	–	1.5	1.5	–
Quick ratio	3	1.0	1.0	–	1.0	1.1	–	1.1	1.1	–

Note:

- Gearing ratio is calculated by dividing total debts by total equity. Our total debts include interest-bearing bank borrowings.
- Current ratio is calculated by dividing total current assets by total current liabilities.
- Quick ratio is calculated by dividing current assets (net of inventories) by total current liabilities.

Notwithstanding our Group recognised lease liabilities amounted to approximately RMB4.6 million, RMB3.2 million, RMB7.9 million and RMB5.4 million as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, respectively and right-of-use assets amounted to approximately RMB8.3 million, RMB6.6 million, RMB11.2 million and RMB8.1 million as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, respectively as a result of the adoption of HKFRS16, our Directors considered that there was no significant impact of the adoption of HKFRS16 on our key ratios, and our Group's financial position and financial performance as compared to that of HKAS17 as demonstrated in the table above.

The accounting policy for our Group's leases is presented in note 5 to the Historical Financial Information which has been updated to reflect the application of HKFRS 16. Disclosures on our Group's leases have been made in note 17 to the Historical Financial Information upon the application of HKFRS 16.

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Fair value measurement

Our Group measures its derivative financial instruments at fair value at the end of each Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Our Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, our Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each Relevant Periods.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised 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 Relevant Periods, taking into consideration interpretations and practices prevailing in the jurisdictions in which our Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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Deferred tax liabilities are recognised 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 recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, 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 recognised 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 Relevant Periods 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. Unrecognised deferred tax assets are reassessed at the end of each Relevant Periods and are recognised 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 realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of each Relevant Periods.

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Our Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that our Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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At each reporting date, our Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, our Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

Our Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, our Group may also consider a financial asset to be in default when internal or external information indicates that our Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by our Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1: Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2: Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3: Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when our Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, our Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Our Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

Our Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An 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.

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Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

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 amortised cost using the effective interest rate method less any allowance for impairment. Amortised 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 amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable 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 consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash and which 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 our Group’s cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES

The preparation of our Group’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expense, 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.

Judgements

In the process of applying our Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the consolidated financial statements:

Revenue from contracts with customers

Our Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- (i) *Identifying performance obligations in a bundled IT supporting and maintenance services and sale of solution-based software and/or hardware products and related integrated services*

Our Group generally provide bundled IT implementation and supporting services to cater for the customer's specific requirements, and the scope of such bundled contract usually includes (i) sale of solution-based software and/or hardware products and related integrated services and (ii) IT supporting and maintenance services. The IT supporting and maintenance services are a promise to transfer services in the future and are part of the negotiated exchange between our Group and the customer. Our Group has allocated a portion of the transaction price to the sale of solution-based software and/or hardware products and related integrated services and IT supporting and maintenance services based on relative standalone selling prices. Revenue from sale of solution-based software/hardware products and related integrated services is recognized at the point in time when control of the asset is transferred to the customer while revenue from IT supporting and maintenance services is recognised over the scheduled period on a straight-line basis.

- (ii) *Determining the timing of satisfaction of design and implementation services and platform design services*

Our Group concluded that revenue for design and implementation services and platform design services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by our Group. The fact that another entity would not need to re-perform the services that our Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of our Group's performance as it performs.

Our Group determined that the input method is the best method in measuring the progress of the IT technical services because there is a direct relationship between our Group's effort (i.e., man hours incurred) and the transfer of services to the customer. Our Group recognises revenue on the basis of man hours expended relative to the total expected man hours to complete the services.

Provision for expected credit losses on trade receivables and other receivables (Applicable after 1 January 2018)

Our Group uses a provision matrix to calculate ECLs for trade receivables and other receivables. The provision rates are based on invoice ageing for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on our Group's historical observed default rates. Our Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate

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over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on our Group's trade and bills receivables and contract assets is disclosed in notes 20 and 22 to the Historical Financial Information, respectively.

Impairment allowances for trade receivables and other receivables (Applicable before 1 January 2018)

Our Group estimates the impairment allowances for trade receivables and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgement. Allowances are applied to trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, the difference will affect the carrying amounts of trade receivables and other receivables and thus the impairment loss in the period in which the estimate is changed. Our Group reassesses the impairment allowances at the end of each Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax 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 recognised 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 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 Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised 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, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table presents the results of operations of our Group during the Track Record Period, which are derived from the consolidated statements of profit or loss and other comprehensive income as set out in the Accountants' Report in Appendix I to this prospectus.

	2016 RMB'000	Year ended 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000
REVENUE	327,293	468,439	612,092	791,888
Cost of sales	<u>(289,437)</u>	<u>(409,980)</u>	<u>(535,548)</u>	<u>(708,686)</u>
Gross profit	<u>37,856</u>	<u>58,459</u>	<u>76,544</u>	<u>83,202</u>
Other income and gains	2,127	2,217	2,547	3,886
Selling and distribution expenses	(9,909)	(10,464)	(11,150)	(13,886)
Administrative expenses	(10,630)	(11,790)	(16,222)	(22,106)
R&D expense	(3,824)	(10,589)	(18,482)	(19,279)
Other expenses	(9)	(969)	(360)	(128)
Reversal/(recognition) of impairment losses on financial and contract assets	(139)	(79)	(282)	(420)
Finance costs	(1,953)	(938)	(940)	(2,323)
Share of losses of an associate	<u>—</u>	<u>—</u>	<u>—</u>	<u>(72)</u>
PROFIT BEFORE TAX	13,797	26,005	31,655	28,874
Income tax expenses	<u>(1,786)</u>	<u>(3,732)</u>	<u>(4,525)</u>	<u>(4,326)</u>
PROFIT FOR THE YEAR	<u>12,011</u>	<u>22,273</u>	<u>27,130</u>	<u>24,548</u>
OTHER COMPREHENSIVE (LOSS)/INCOME				
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	<u>—</u>	<u>—</u>	<u>(1)</u>	<u>9</u>
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	<u>—</u>	<u>—</u>	<u>(226)</u>	<u>313</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	<u>—</u>	<u>—</u>	<u>(227)</u>	<u>322</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>12,011</u>	<u>22,273</u>	<u>26,903</u>	<u>24,870</u>
Profit attributable to:				
Owners of the parent	11,915	22,371	27,130	24,548
Non-controlling interests	<u>96</u>	<u>(98)</u>	<u>—</u>	<u>—</u>
	<u>12,011</u>	<u>22,273</u>	<u>27,130</u>	<u>24,548</u>
Total comprehensive income attributable to:				
Owners of the parent	11,915	22,371	26,903	24,870
Non-controlling interests	<u>96</u>	<u>(98)</u>	<u>—</u>	<u>—</u>
	<u>12,011</u>	<u>22,273</u>	<u>26,903</u>	<u>24,870</u>

FINANCIAL INFORMATION

SELECTED LINE ITEMS IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our revenue amounted to approximately RMB327.3 million, RMB468.4 million, RMB612.1 million and RMB791.9 million for the four years ended 31 December 2019, respectively. We generated revenue primarily by providing IT infrastructure services, IT implementation and supporting services as well as cloud services to our clients, in various industries such as TMT, manufacturing, financial services and transportation and logistics etc.

Revenue by business segments

The following table sets forth the breakdown of our revenue by business segments during the Track Record Period:

Business segments	2016		For the year ended 31 December				2019	
	RMB'000	%	2017 RMB'000	%	2018 RMB'000	%	RMB'000	%
IT infrastructure services	198,854	60.8	250,998	53.6	276,251	45.1	401,775	50.7
IT implementation and supporting services	79,856	24.4	80,396	17.1	145,826	23.9	141,563	17.9
Cloud services	<u>48,583</u>	<u>14.8</u>	<u>137,045</u>	<u>29.3</u>	<u>190,015</u>	<u>31.0</u>	<u>248,550</u>	<u>31.4</u>
Total	<u><u>327,293</u></u>	<u><u>100.0</u></u>	<u><u>468,439</u></u>	<u><u>100.0</u></u>	<u><u>612,092</u></u>	<u><u>100.0</u></u>	<u><u>791,888</u></u>	<u><u>100.0</u></u>

Our revenue generated from the provision of IT infrastructure services amounted to approximately RMB198.9 million, RMB251.0 million, RMB276.3 million and RMB401.8 million for the four years ended 31 December 2019, representing approximately 60.8%, 53.6%, 45.1% and 50.7% of our total revenue during the relevant year, respectively.

Our revenue generated from the provision of IT implementation and supporting services amounted to approximately RMB79.9 million, RMB80.4 million, RMB145.8 million and RMB141.6 million for the four years ended 31 December 2019, representing approximately 24.4%, 17.1%, 23.9% and 17.9% of our total revenue during the relevant year, respectively.

Our revenue generated from the provision of cloud services amounted to approximately RMB48.6 million, RMB137.0 million, RMB190.0 million and RMB248.6 million for the four years ended 31 December 2019, representing approximately 14.8%, 29.3%, 31.0% and 31.4% of our total revenue during the relevant year, respectively.

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Revenue by industry sectors

The following table set out breakdown of our revenue by industry sector for the years indicated:

	For the year ended 31 December							
	2016		2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
TMT	213,311	65.2	329,243	70.3	381,727	62.4	475,803	60.1
Financial services	28,549	8.7	38,591	8.2	72,708	11.9	125,997	15.9
Manufacturing	48,632	14.9	56,952	12.2	78,753	12.9	53,213	6.7
Energy	6,566	2.0	20,215	4.3	13,068	2.1	41,517	5.2
Real estate	3,578	1.1	8,562	1.8	22,515	3.7	27,137	3.4
Transportation and logistics	8,395	2.6	2,727	0.6	13,904	2.3	20,659	2.6
Consulting services	1,114	0.3	3,330	0.7	5,834	1.0	17,688	2.2
Trading and retail	6,682	2.0	4,390	0.9	7,618	1.2	10,358	1.3
Property management services	22	—*	—	—	—	—	9,069	1.2
Hotel and restaurants	1,254	0.4	475	0.1	2,721	0.4	5,944	0.8
Education	3,118	1.0	1,714	0.4	8,402	1.4	1,158	0.2
Biomedicine	984	0.3	281	0.1	2,733	0.4	300	—*
Others (Note)	5,088	1.5	1,959	0.4	2,109	0.3	3,045	0.4
Total	<u>327,293</u>	<u>100.0</u>	<u>468,439</u>	<u>100.0</u>	<u>612,092</u>	<u>100.0</u>	<u>791,888</u>	<u>100.0</u>

* Less than 0.1%

Note: Others principally refer to public bodies including authorities or institutions which are established pursuant to specific statutory legislations in PRC, companies involved in design and construction related services, and traveling agencies companies.

During the Track Record Period, over 95% of our revenue is generated from the private sectors mainly in TMT, manufacturing and financial services industries. Revenue from our customers in TMT sector accounted for approximately 65.2%, 70.3%, 62.4% and 60.1% of our total revenue during the respective year. Revenue from our customers in manufacturing sector accounted for approximately 14.9%, 12.2%, 12.9% and 6.7% of our total revenue during the respective year. Revenue from our customers in financial services industry accounted for approximately 8.7%, 8.2%, 11.9% and 15.9% of our total revenue during the respective year.

Revenue by types of customers

During the Track Record Period, we have served over 1,000 corporate customers. Our customers are mainly divided into two categories, namely: (i) intermediaries; and (ii) end-users. Intermediaries are generally IT companies which provide overall IT solutions to end-users while end-users include TMT, manufacturing, financial, transportation and logistics companies and other commercial organisations.

FINANCIAL INFORMATION

The following table sets forth the breakdown of our revenue by types of customers for the years indicated:

	For the year ended 31 December							
	2016		2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
End-users	289,609	88.5	396,995	84.7	538,416	88.0	719,565	90.9
Intermediaries	37,684	11.5	71,444	15.3	73,676	12.0	72,323	9.1
Total	327,293	100.0	468,439	100.0	612,092	100.0	791,888	100.0

For the four years ended 31 December 2019, our revenue derived from end-users amounted to approximately RMB289.6 million, RMB397.0 million, RMB538.4 million and RMB719.6 million, representing approximately 88.5%, 84.7%, 88.0% and 90.9% of our total revenue during the respective year.

Cost of sales

Our cost of sales represents cost directly associated with the provision of IT infrastructure services, IT implementation and supporting services and cloud services including (i) cost of procuring the relevant hardware and software, (ii) cost of service, (iii) direct staff costs, (iv) subcontracting fee, and (v) cloud service cost.

For the four years ended 31 December 2019, our cost of sales amounted to approximately RMB289.4 million, RMB410.0 million, RMB535.5 million and RMB708.7 million, respectively.

The following table sets forth a breakdown of our cost of sales during the Track Record Period:

	For the year ended 31 December							
	2016		2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Procurement cost for IT infrastructure services	181,727	62.8	226,316	55.2	253,496	47.3	370,664	52.3
Procurement cost for IT implementation and supporting services	47,331	16.4	41,703	10.2	77,013	14.4	85,876	12.1
Cloud service cost	38,037	13.1	114,528	27.9	155,104	29.0	208,516	29.4
Subcontracting fee	18,871	6.5	22,529	5.5	43,167	8.1	38,333	5.4
Direct staff costs	3,471	1.2	4,904	1.2	6,768	1.2	5,297	0.8
Total	289,437	100.0	409,980	100.0	535,548	100.0	708,686	100.0

FINANCIAL INFORMATION

Procurement cost for IT infrastructure services

Procurement cost for IT infrastructure services represents the amounts paid or payable to IT products vendors for the costs of procurement of relevant software and hardware for the use in IT infrastructure services. For the four years ended 31 December 2019, procurement cost for IT Infrastructure services amounted to approximately RMB181.7 million, RMB226.3 million, RMB253.5 million and RMB370.7 million, accounted for approximately 62.8%, 55.2%, 47.3% and 52.3% of our total cost of sales, respectively.

Procurement cost for IT implementation and supporting services

Procurement cost for IT implementation and supporting services represents the amounts paid or payable to IT products vendors for the cost of procurement for the IT implementation and supporting services in cases where we are required to procure the relevant hardware and/or software in order to tailor-made the IT solutions to our customers. For the four years ended 31 December 2019, procurement cost for IT implementation and supporting services amounted to approximately RMB47.3 million, RMB41.7 million, RMB77.0 million and RMB85.9 million, representing approximately 16.4%, 10.2%, 14.4% and 12.1% of our total cost of sales, respectively.

Cloud service cost

Our cloud service cost principally refers to payment to third party server storage and the platform and our self-developed software as well as hardware which is used together with the cloud platform. For the four years ended 31 December 2019, our cloud service costs amounted to approximately RMB38.0 million, RMB114.5 million, RMB155.1 million and RMB208.5 million, representing approximately 13.1%, 27.9%, 29.0% and 29.4% of our total cost of sales, respectively.

Subcontracting fee

Subcontracting fee primarily represents payment to subcontractors in our provision of IT implementation and supporting services for certain IT services such as those for the management establishment of IT services management platform and technical and maintenance support services that required specialised expertise and/or large labour force. For the four years ended 31 December 2019, subcontracting fee amounted to approximately RMB18.9 million, RMB22.5 million, RMB43.2 million and RMB38.3 million, representing approximately 6.5%, 5.5%, 8.1% and 5.4% of our total cost of sales, respectively.

Direct staff costs

Direct staff costs represent the salaries and other staff benefits for our staff who are directly involved in the provision of our IT infrastructure services, IT implementation and supporting services as well as cloud services. For the four years ended 31 December 2019, our direct staff costs amounted to approximately RMB3.5 million, RMB4.9 million, RMB6.8 million and RMB5.3 million, representing approximately 1.2%, 1.2%, 1.2% and 0.8% of our total cost of sales, respectively.

FINANCIAL INFORMATION

Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin by our business segments during the Track Record Period:

	For the year ended 31 December							
	2016		2017		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
IT infrastructure services	17,127	8.6	24,682	9.8	22,755	8.2	31,111	7.8
IT implementation and supporting services	10,183	12.8	11,260	14.0	18,878	12.9	12,057	8.5
Cloud services	<u>10,546</u>	21.7	<u>22,517</u>	16.4	<u>34,911</u>	18.4	<u>40,034</u>	16.1
	<u>37,856</u>	11.6	<u>58,459</u>	12.5	<u>76,544</u>	12.5	<u>83,202</u>	10.5

For the four years ended 31 December 2019, our overall gross profit were RMB37.9 million, RMB58.5 million, RMB76.5 million and RMB83.2 million, with our overall gross profit margins of approximately 11.6%, 12.5%, 12.5% and 10.5%, respectively.

For the four years ended 31 December 2019, (i) our gross profit margin from IT infrastructure services segment were approximately 8.6%, 9.8%, 8.2% and 7.8%, respectively; (ii) our gross profit margin from IT implementation and supporting services segment were approximately 12.8%, 14.0%, 12.9% and 8.5%, respectively; and (iii) our gross profit margin from cloud services were approximately 21.7%, 16.4%, 18.4% and 16.1%, respectively.

The fact that higher gross profit margins for IT implementation and supporting services and cloud services segments were recorded as compared to IT infrastructure services segment was mainly attributable to (i) the prices we procure our hardware and software for IT infrastructure services are determined with reference to the price guidance set by the IT products vendors; (ii) higher profit margin could generally be set for IT implementation and supporting services and cloud services as our customer normally have to rely on our professional skillsets and knowledge of our IT technicians in designing and implementing the IT solutions.

FINANCIAL INFORMATION

Other income and gains

	For the year ended 31 December							
	2016		2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Other income								
Bank interest income	101	4.7	185	8.4	136	5.3	186	4.8
Government grants								
– related to income	1,724	81.1	1,404	63.3	1,686	66.2	2,031	52.3
Government grants								
– related to asset	214	10.1	–	–	–	–	–	–
Sub-total	2,039	95.9	1,589	71.7	1,822	71.5	2,217	57.1
Gains								
Foreign exchange gains, net	–	–	298	13.4	–	–	1,088	28.0
Gain on financial assets at fair value through profit or loss	88	4.1	319	14.4	646	25.4	556	14.3
Gain on disposal of item of property, plant and equipment	–	–	–	–	–	–	15	0.4
Others	–	–	11	0.5	79	3.1	10	0.2
Sub-total	88	4.1	628	28.3	725	28.5	1,669	42.9
TOTAL	<u>2,127</u>	<u>100</u>	<u>2,217</u>	<u>100</u>	<u>2,547</u>	<u>100</u>	<u>3,886</u>	<u>100</u>

Our other income and gains primarily consisted of (i) bank interest income; (ii) government grants; (iii) net foreign exchange gains; (iv) gain on financial assets at fair value through profit or loss; and (v) gain on disposal of item of property, plant and equipment.

For the four years ended 31 December 2019, our other income and gains amounted to approximately RMB2.1 million, RMB2.2 million, RMB2.5 million and RMB3.9 million, respectively.

Our government grants represents one-off non-recurring subsidies by local government authorities to our Group mainly for the development of internet-related companies and its technological innovation.

Our gain on financial assets at fair value through profit or loss represents realised gains on wealth investment products which is a type of non-structural financial products purchased by our Group from a bank in the PRC.

Our gain on disposal of item of property, plant and equipment represents disposal of company vehicle during the relevant period.

FINANCIAL INFORMATION

Selling and distribution expenses

Our selling and distribution expenses primarily consisted (i) staff cost, being salary, relevant employee benefits and commission paid to our sales staff; (ii) marketing expense; (iii) travelling expenses for our sales staff; (iv) business development expense; (v) office expense mainly for purchase of stationeries, printing, staff training expenses and custom agency fee etc for our sales department; (vi) advertisement expenses; and (vii) others refer to miscellaneous expenses such as motor vehicle insurance expenses and delivery expenses etc. The following table sets out a breakdown of our selling and distribution expenses for the periods indicated:

	For the year ended 31 December							
	2016		2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	7,848	79.2	7,941	75.9	8,767	78.6	10,615	76.4
Marketing expense	854	8.6	945	9.0	880	7.9	1,544	11.1
Business development expense	220	2.2	340	3.3	318	2.9	325	2.3
Travelling expenses	299	3.0	479	4.6	262	2.3	304	2.2
Office expense	296	3.0	334	3.2	257	2.3	227	1.6
Advertisement expenses	213	2.2	100	1.0	–	–	29	0.2
Others*	179	1.8	325	3.0	666	6.0	842	6.1
Total	9,909	100.0	10,464	100.0	11,150	100.0	13,886	100.0

* Others primarily consist of delivery and vehicle usage expenses, travelling expenses, qualified supplier certification fee and tendering fee.

For the four years ended 31 December 2019, our selling and distribution expenses amounted to approximately RMB9.9 million, RMB10.5 million, RMB11.2 million and RMB13.9 million, respectively, representing approximately 3.1%, 2.3%, 1.9% and 1.8% of our total revenue, respectively, for the relevant year.

Administrative expenses

Our administrative expenses mainly composed of (i) administrative staff cost, (ii) rental expenses for offices and staff quarters, (iii) legal and professional fees for audit, legal retainer fee, NEEQ listing and compliance related professional fees, (iv) Listing expenses, (v) office and travelling expenses for administrative departments and (vi) tax and levy.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our administrative expenses during the Track Record Period:

	For the year ended 31 December							
	2016		2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Listing expenses	–	–	–	–	5,348	33.0	8,816	39.9
Staff cost	5,045	47.5	5,501	46.7	5,391	33.2	6,029	27.3
Tax and levy	725	6.8	1,402	11.9	2,237	13.8	2,687	12.2
Depreciation and amortisation	1,467	13.8	1,423	12.1	1,107	6.8	2,137	9.7
Bank charges	234	2.2	137	1.2	180	1.1	747	3.4
Office expenses	919	8.6	987	8.4	562	3.5	744	3.4
Legal and professional fees	1,076	10.1	936	7.9	549	3.4	201	0.8
Travelling expenses	429	4.0	557	4.7	336	2.1	306	1.4
Property management fee	35	0.3	140	1.2	140	0.9	239	1.1
Rental expenses	312	2.9	161	1.4	65	0.4	54	0.2
Business development expenses	215	2.0	193	1.6	86	0.5	68	0.3
Others	173	1.8	353	2.9	221	1.3	78	0.3
Total	10,630	100.0	11,790	100.0	16,222	100.0	22,106	100.0

Note: Others principally composed of litigation expenses, customs agency fee and insurance expenses.

For the four years ended 31 December 2019, our administrative expenses amounted to approximately RMB10.6 million, RMB11.8 million, RMB16.2 million and RMB22.1 million, respectively, representing approximately 3.2%, 2.5%, 2.7% and 2.8% of our total revenue, respectively, for the relevant year.

R&D expenses

Our R&D expenses primarily consists of (i) project development expenses for the purchase of relevant equipment and its related inspection fee, as well as relevant consultancy services fee; (ii) salary and related benefits for our R&D related staff; (iii) part of our office rental expenses allocated to our R&D department; (iv) office expenses for R&D department; and (v) traveling expense for our R&D staff.

	For the year ended 31 December							
	2016		2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Project development expenses	1,863	48.7	8,432	79.6	16,028	86.7	12,221	63.4
Rental expense	699	18.3	687	6.5	688	3.7	1,770	9.2
Staff cost	502	13.1	1,044	9.9	1,524	8.2	4,898	25.4
Traveling expense	132	3.4	99	0.9	67	0.4	131	0.7
Office expense	485	12.7	217	2.0	97	0.5	42	0.2
Others	143	3.8	110	1.1	78	0.5	217	1.1
Total	3,824	100.0	10,589	100.0	18,482	100.0	19,279	100.0

* Others primarily consist of depreciation and delivery expenses.

FINANCIAL INFORMATION

For the four years ended 31 December 2019, our R&D expense amounted to approximately RMB3.8 million, RMB10.6 million, RMB18.5 million and RMB19.3 million, respectively, representing approximately 1.2%, 2.3%, 3.0% and 2.4% of our total revenue, respectively, for the relevant year.

Other expenses

Our other expenses amounted to approximately RMB9,000.0, RMB1.0 million, RMB0.4 million and RMB0.1 million for the year ended 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, respectively, and are primarily consisted of (i) RMB1.0 million for loss on disposal of SysTime and Guangzhou Edensoft for the year ended 31 December 2017; and (ii) foreign exchange loss of approximately RMB0.4 million for the year ended 31 December 2018 resulting from certain purchase agreements which is denominated in U.S. dollars.

Finance costs

Our finance costs mainly comprised of interest charges on our bank loan. Our finance costs amounted to approximately RMB2.0 million, RMB0.9 million, RMB0.9 million and RMB2.3 million for the four years ended 31 December 2019, respectively.

Income tax expenses

For the four years ended 31 December 2019, our income tax expense amounted to approximately RMB1.8 million, RMB3.7 million, RMB4.5 million and RMB4.3 million, respectively.

During the Track Record Period, our operating subsidiaries are subjected to 25% corporate income tax, except for our operating subsidiary Eden Information, which is subjected to 15% preferential tax treatment as it was recognised as High-tech Enterprises, and Dongguan Eden and Shenzhen Yundeng, which were entitled to a preferential tax rate of 10%, as it was recognised as micro and small company for the three years ended 31 December 2018. For the year ended 31 December 2019, Dongguan Eden and Shenzhen Yundeng are entitled to a preferential tax rate of 5% for the first RMB1 million of assessable profits and the remaining assessable profits below RMB3 million are taxed at 10%.

Income tax comprises current tax and deferred tax. The following table sets forth our income tax expenses during the years indicated:

	For the year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Current – PRC – Charge for the year	1,754	3,728	4,494	4,396
Current – Hong Kong – Charge for the year	–	–	–	57
Deferred tax assets/(liabilities)	32	4	31	(127)
Total tax charge for the year	<u>1,786</u>	<u>3,732</u>	<u>4,525</u>	<u>4,326</u>

For the four years ended 31 December 2019, our effective tax rates, calculated as taxation divided by the profit before taxation, were approximately 12.9%, 14.4%, 14.3% and 15.0%, respectively. The difference between our effective tax rates and the applicable corporate income tax rates was primarily because majority of our profits was contributed by our operating subsidiary, Eden Information, which is subjected to preferential tax treatment of 15% as discussed above.

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Our deferred tax assets are derived from (i) a government grant in the amount of RMB1.1 million paid by the local government in 2013 which has been taxed for our Group's development of cloud-related cross platforms applications of large attachment of email which completed user acceptance test in 2016; (ii) provisions for impairment of receivables of our Group; and (iii) leases due to adoption of HKFRS 16. Our deferred tax liabilities as at 31 December 2019 are derived from the impairment of receivables of our Group and leases.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2019 compared to year ended 31 December 2018

Revenue

Our revenue increased by approximately RMB179.8 million, or approximately 29.4% from approximately RMB612.1 million for the year ended 31 December 2018 to approximately RMB791.9 million for the year ended 31 December 2019. Such increase was mainly driven by (i) the increase in revenue from IT infrastructure services, which was primarily attributable to more orders placed by Customer A as well as certain top five customers and (ii) the increase in revenue from cloud services which was primarily attributable to more orders placed by Customer A and a new customer, during 2019.

Revenue from IT infrastructure services

Our revenue generated from the provision of IT infrastructure services increased from approximately RMB276.3 million for the year ended 31 December 2018 to approximately RMB401.8 million for the year ended 31 December 2019, representing an increase by approximately RMB125.5 million, or approximately 45.4%. Such increase was primarily attributable to (i) increase in orders placed by Customer A for IT infrastructure services to our Group of approximately RMB22.3 million; (ii) Customer J entered into IT infrastructure services contract with us with contract sum of approximately RMB19.2 million, amongst which, approximately RMB17.0 million of revenue was recognised for the year ended 31 December 2019; (iii) increase in revenue generated from Customer G of approximately RMB11.9 million with contract sum of approximately RMB14.2 million for the year ended 31 December 2019; (iv) increase in revenue generated from Customer B of approximately RMB9.5 million with contract sum of approximately RMB36.6 million for the year ended 31 December 2019; and (v) increase in revenue generated from Customer H of approximately RMB5.8 million during the year ended 31 December 2019.

Revenue from IT implementation and supporting services

Our revenue generated from provision of IT implementation and supporting services slightly decreased from approximately RMB145.8 million for the year ended 31 December 2018 to approximately RMB141.6 million for the year ended 31 December 2019, representing a decrease of approximately RMB4.2 million, or approximately 2.9%.

Revenue from cloud services

Our revenue generated from provision of cloud services increased from approximately RMB190.0 million for the year ended 31 December 2018 to approximately RMB248.6 million for the year ended 31 December 2019, representing an increase by approximately RMB58.6 million, or approximately 30.8%. Such increase was primarily attributable to (i) increase in orders placed by Customer A by approximately RMB21.8 million; (ii) increase in revenue of approximately RMB10.3 million for the year ended 31 December 2019 generated from a new customer, which is based in Suzhou and principally engaged in consultancy services with contract sum of approximately RMB19.0 million; (iii) increase in revenue of approximately RMB8.4 million for the year ended

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31 December 2019 generated from a customer which principally engaged in transportation and logistics services with contract sum of approximately RMB8.9 million; partially offset by the decrease in revenue generated from Customer D by approximately RMB11.9 million for the year ended 31 December 2019.

Cost of sales

Our cost of sales increased by approximately RMB173.2 million, or approximately 32.3% from approximately RMB535.5 million for the year ended 31 December 2018 to approximately RMB708.7 million for the year ended 31 December 2019. Such increase was relatively in line with the increase in our revenue during the relevant year, details of which are explained below:

- **Procurement cost for IT infrastructure services** – procurement cost for IT infrastructure services increased by approximately RMB117.2 million, or approximately 46.2%, from approximately RMB253.5 million for the year ended 31 December 2018 to approximately RMB370.7 million for the year ended 31 December 2019. Such increase was primarily due to increase in total costs for procurement of the software and hardware, which is relatively in line with increase in our revenue derived from the IT infrastructure services segment during the relevant year.
- **Procurement cost of IT implementation and supporting services** – procurement cost for IT implementation and supporting services increased by approximately RMB8.9 million, or approximately 11.6%, from approximately RMB77.0 million for the year ended 31 December 2018 to approximately RMB85.9 million for the year ended 31 December 2019. Notwithstanding a slight decrease of our revenue in IT implementation and supporting services in 2019, the increased procurement cost was primarily due to increase in cost for the procurement of certain software and hardware mainly non-U.S. products used in performing the IT implementation and supporting services on certain orders during 2019.
- **Cloud service costs** – cloud service cost increased by approximately RMB53.5 million, or approximately 34.5%, from approximately RMB155.0 million for the year ended 31 December 2018 to approximately RMB208.5 million for the year ended 31 December 2019. Such increase was relatively in line with the increase in our revenue derived from cloud services segment during the relevant year.
- **Subcontracting fee** – our subcontracting fee decreased by approximately RMB4.9 million, or approximately 11.3% from approximately RMB43.2 million for the year ended 31 December 2018 to approximately RMB38.3 million for the year ended 31 December 2019. Such decrease was due to decrease in number of projects for Customer A that required support from third party IT services vendors for the year ended 31 December 2019 as compared to 2018.
- **Direct staff cost** – direct staff cost decreased by approximately RMB1.5 million, or approximately 22.1% from approximately RMB6.8 million for the year ended 31 December 2018 to approximately RMB5.3 million for the year ended 31 December 2019. The decrease in our direct staff cost was primarily because we have certain IT implementation and supporting services with Customer D with the main on-site services provided by the vendor.

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Gross profit and gross profit margin

As a result of the foregoing reasons, our gross profit increased by approximately RMB6.7 million, or approximately 8.8%, from RMB76.5 million for the year ended 31 December 2018 to approximately RMB83.2 million for the year ended 31 December 2019, with our overall gross profit margin decreased from approximately 12.5% for the year ended 31 December 2018 to approximately 10.5% for the year ended 31 December 2019.

- **IT infrastructure services** – our gross profit increased by approximately RMB8.3 million, or approximately 36.4%, from approximately RMB22.8 million for the year ended 31 December 2018 to approximately RMB31.1 million for the year ended 31 December 2019, with our gross profit margin decreased from approximately 8.2% to approximately 7.8%. Such decrease was primarily attributable to the decrease in gross profit margin of the orders from Customer A from approximately 8.3% for the year ended 31 December 2018 to approximately 7.1% for the year ended 31 December 2019 and such gross profit margin of Customer A is generally lower as compared to our other customers in the same segment.
- **IT implementation and supporting services** – our gross profit decreased by approximately RMB6.8 million, or approximately 36.0%, from approximately RMB18.9 million for the year ended 31 December 2018 to approximately RMB12.1 million for the year ended 31 December 2019, with our gross profit margin decreased from approximately 12.9% to approximately 8.5%. Such decrease was primarily due to lower profit margin of the orders from Customer D as compared to our other customers in the same segment coupled with increase in revenue generated from Customer D from approximately RMB32.8 million for the year ended 31 December 2018 to approximately RMB69.6 million for the year ended 31 December 2019.
- **Cloud services** – our gross profit increased by approximately RMB5.1 million, or approximately 14.6%, from approximately RMB34.9 million for the year ended 31 December 2018 to approximately RMB40.0 million for the year ended 31 December 2019, with our gross profit margin decreased from approximately 18.4% to approximately 16.1%. Such decrease was primarily due to the increase in revenue generated from top up of cloud service mainly provided by Supplier G and Supplier F with relatively lower gross profit margin as compared to other cloud related services which requires more value added services provided by IT services providers.

Other income and gains

Our other income and gains increased by approximately RMB1.4 million, or approximately 56.0%, from approximately RMB2.5 million for the year ended 31 December 2018 to approximately RMB3.9 million for the year ended 31 December 2019. The increase was primarily attributable to net foreign exchange gain of approximately RMB1.1 million derived from depreciation of U.S. dollars against Renminbi during the relevant year where we have payment from certain suppliers that are settled in U.S. dollars.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately RMB2.7 million, or approximately 24.1%, from approximately RMB11.2 million for the year ended 31 December 2018 to approximately RMB13.9 million for the year ended 31 December 2019. The increase was primarily attributable to (i) increase in number of sale-related staff from 38 as at 31 December 2018 to 52 as at 31 December 2019; and (ii) increase in marketing expense by approximately RMB0.7 million mainly due to a large marketing event held in Shenzhen during 2019.

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Administrative expenses

Our administrative expenses increased by approximately RMB5.9 million, or approximately 36.4%, from approximately RMB16.2 million for the year ended 31 December 2018 to approximately RMB22.1 million for the year ended 31 December 2019. The increase was primarily attributable to (i) increase in Listing expenses by approximately RMB3.5 million incurred for the year ended 31 December 2019; and (ii) increase in depreciation and amortisation expense by approximately RMB1.0 million for the year ended 31 December 2019 primarily due to expansion of our Shenzhen office in December 2018 which led to higher amortisation under HKFRS 16.

R&D expense

Our R&D expenses increased by approximately RMB0.8 million, or approximately 4.3%, from approximately RMB18.5 million for the year ended 31 December 2018 to approximately RMB19.3 million for the year ended 31 December 2019. Such increase was primarily attributable to (i) the increase in staff cost by approximately RMB3.4 million mainly resulted from increase in number of our R&D staff by 17; and (ii) the increase in rental expenses by approximately RMB1.1 million for the relevant year due to expansion of our Shenzhen office in December 2018, partially offset by the decrease in project development expenses by approximately RMB3.8 million mainly due to the decrease in services fee paid to IT vendors as a result of the increase in involvement of project development by our technical staff for the year ended 31 December 2019.

Other expenses

Our other expenses decreased by approximately RMB0.2 million, or approximately 50.0%, from approximately RMB0.4 million for the year ended 31 December 2018 to approximately RMB0.1 million for the year ended 31 December 2019. Such decrease was primarily because there was net foreign exchange loss recognised during the year ended 31 December 2018 in which no such loss was incurred during the year ended 31 December 2019.

Finance costs

Our finance costs increased by approximately RMB1.4 million, or 1.6 times, from approximately RMB0.9 million for the year ended 31 December 2018 to approximately RMB2.3 million for the year ended 31 December 2019, primarily attributable to increase in interest on bank loans by approximately RMB1.2 million as we have more bank borrowings during 2019.

Income tax expenses

Our income tax expenses decreased by approximately RMB0.2 million, or approximately 4.4%, from approximately RMB4.5 million for the year ended 31 December 2018 to approximately RMB4.3 million for the year ended 31 December 2019. Our effective tax rate is approximately 14.3% for the year ended 31 December 2018 and approximately 15.0% for the year ended 31 December 2019 which remained relatively stable.

Profit for the year

As a result of the foregoing, our profit for the year decreased by approximately RMB2.6 million, or approximately 9.6%, from approximately RMB27.1 million for the year ended 31 December 2018 to approximately RMB24.5 million for the year ended 31 December 2019. Our net profit margin decreased from approximately 4.4% for the year ended 31 December 2018 to approximately 3.1% for the year ended 31 December 2019.

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Profit attributable to owners of the parent

As a result of the foregoing, our profit attributable to owners of the parent decreased by approximately RMB2.6 million, or approximately 9.6%, from approximately RMB27.1 million for the year ended 31 December 2018 to approximately RMB24.5 million for the year ended 31 December 2019.

Year ended 31 December 2018 compared to year ended 31 December 2017

Revenue

Our revenue increased by approximately RMB143.7 million or approximately 30.7% from approximately RMB468.4 million for the year ended 31 December 2017 to approximately RMB612.1 million for the year ended 31 December 2018. Such increase was mainly driven by the increase in revenue from IT Implementation and supporting services and cloud services as well as we hired more technical staff in 2018; and provided higher commission for sales staff soliciting services-related contracts in 2018 as compared to the same in 2017.

Revenue from IT infrastructure services

Our revenue generated from the provision of IT infrastructure services increased from approximately RMB251.0 million for the year ended 31 December 2017 to approximately RMB276.3 million for the year ended 31 December 2018, representing an increase by approximately RMB25.3 million, or approximately 10.1%. Such increase was attributable to (i) increase in total number of IT infrastructure services projects from 1,721 for the year ended 31 December 2017 to 1,943 for the year ended 31 December 2018; and (ii) increase in average contract sum of our IT infrastructure services projects from approximately RMB0.2 million for the year ended 31 December 2017 to approximately RMB0.3 million for the year ended 31 December 2018, in particular, our transaction amount with Customer A for IT infrastructure services has increased by approximately RMB18.2 million from the year ended 31 December 2017 to 2018, mainly attributable to the five-year enterprise agreement we signed with them in March 2017. The increase in average contract sum by approximately RMB0.1 million, or approximately 50%, during the relevant year is mainly driven by the fact that we have entered into twelve IT infrastructure services contracts with contract sum of RMB5 million or above in 2018 while we only have nine such contracts in 2017. Among the twelve IT infrastructure services contracts with contract sum of approximately RMB5 million or above entered into in 2018: (a) one of them is with Customer H which has placed IT infrastructure services contract with us with contract sum of approximately RMB26.7 million; (b) one of them is with a recurring customer which is an IT company which has signed a three-year IT infrastructure service contract with us in March 2018 with contract sum of approximately RMB30 million; and (c) seven of them is with Customer A for a contract sum ranging from approximately RMB5.1 million to approximately RMB30.8 million placed to us in 2018 where some of which are based on the five-year enterprise agreement entered into with them in March 2017. The increase in the number of IT infrastructure services contracts by 222, or approximately 12.9%, is primarily because we have engaged over 180 new customers for IT infrastructure services due to increased efforts of our Group to solicit new customers.

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Revenue from IT implementation and supporting services

Our revenue generated from the provision of IT implementation and supporting services increased from approximately RMB80.4 million for the year ended 31 December 2017 to approximately RMB145.8 million for the year ended 31 December 2018, representing an increase by approximately RMB65.4 million, or approximately 81.4%. Such increase was attributable to (i) increase in total number of IT implementation and supporting services projects from 237 for the year ended 31 December 2017 to 243 for the year ended 31 December 2018; (ii) increase in average contract sum of our IT implementation and supporting services projects from approximately RMB0.8 million for the year ended 31 December 2017 to approximately RMB1.1 million for the year ended 31 December 2018, in particular, (a) one IT implementation and supporting services and cloud services contract with Customer H with a three year contract period was signed in November 2018 with total contract sum of approximately RMB57.5 million with approximately RMB5.9 million revenue recognised for this segment for the year ended 31 December 2018; (b) one IT implementation and supporting service and cloud services contract with Customer F with a three year contract period starting from June 2018, which replaced the one signed in April 2017, with total contract sum of RMB34.7 million with approximately RMB6.6 million revenue recognised for this segment for the year ended 31 December 2018; (c) one IT implementation and supporting services and cloud services contract with a Shenzhen aerial imaging company signed in March 2018 for about 2 years with total contract sum of approximately RMB12.7 million with approximately RMB5.2 million revenue recognised for this segment for the year ended 31 December 2018; (d) one IT implementation and supporting services contract with Customer I with total contract sum of approximately RMB18.9 million with approximately RMB8.1 million revenue recognised for this segment for the year ended 31 December 2018; (e) one IT implementation and supporting services contract with Customer D with total contract sum of approximately RMB9.2 million with approximately RMB8.7 million revenue recognised for this segment for the year ended 31 December 2018; and (f) one IT implementation and supporting services and cloud services contract with a new customer in education industry with total contract sum of RMB7.5 million with approximately RMB5.0 million revenue recognised for this segment for the year ended 31 December 2018. The increase in average contract sum by approximately RMB0.3 million, or approximately 37.5%, is mainly driven by Customer H, Customer I and one customer in education industry, who are all new customers engaged in 2018 and entered into IT implementation and supporting services and/or cloud services agreements in their respective contract sum of approximately RMB57.5 million, RMB18.9 million and RMB7.5 million as discussed above. The increase in number of IT implementation and supporting services contracts by 6 contracts, or approximately 2.5%, is because we have engaged more new customers for our IT implementation and supporting services in 2018. The increase in the number of contracts and average contract sum is due to our Group's increased effort in soliciting IT implementation and supporting services-related contracts in 2018 by hiring more technical staff and provided higher commission for sales staff to solicit these contracts.

Revenue from cloud services

Our revenue generated from the provision of cloud services increased from approximately RMB137.0 million for the year ended 31 December 2017 to approximately RMB190.0 million for the year ended 31 December 2018, representing an increase by approximately RMB53.0 million, or approximately 38.7%. Such increase was attributable to (i) increase in average contract sum of our cloud services projects undertaken from approximately RMB0.3 million for the year ended 31 December 2017 to approximately RMB0.6 million for the year ended 31 December 2018 notwithstanding the decrease in number of relevant contracts undertaken from 710 to 626 during the relevant years. In particular, under the five-year enterprise agreement relating to IT infrastructure services and cloud services we entered with one of our top five customers in March 2017, Customer A placed a cloud-service related purchase order to us in the amount of approximately RMB61.2 million in the year ended 31 December 2018 with approximately RMB52.3 million revenue recognized in the cloud services segment during the relevant year. The increase in average contract sum by approximately RMB0.3 million in 2018, or doubling the same in 2017, is mainly because we have nine cloud services related contracts with contract sum of RMB5 million or above in 2018 but we only have two such contracts in 2017. Among the nine cloud services related contracts with contract sum of RMB5 million or above in 2018, majority of them are placed by recurring customers such as the one placed by Customer A as discussed above, which is mainly due to our Group's increased effort in soliciting cloud services-related contracts in 2018 by hiring more technical staff and provided higher commission for sales staff to solicit these contracts.

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Cost of sales

Our cost of sales increased by approximately RMB125.6 million, or approximately 30.6% from approximately RMB410.0 million for the year ended 31 December 2017 to approximately RMB535.5 million for the year ended 31 December 2018. Such increase was in line with the increase in our revenue during the year, details of which are explained below:

- **Procurement cost for IT infrastructure services** – procurement cost for IT infrastructure services increased by approximately RMB27.2 million, or 12.0%, from approximately RMB226.3 million for the year ended 31 December 2017 to approximately RMB253.5 million for the year ended 31 December 2018. Such increase was primarily due to increase in total costs for procurement of the software and hardware, which is in line with increase in our revenue derived from the IT infrastructure services segment during the relevant year.
- **Procurement cost for IT implementation and supporting services** – procurement cost for IT implementation and supporting services increased by approximately RMB35.3 million, or approximately 84.7%, from approximately RMB41.7 million for the year ended 31 December 2017 to approximately RMB77.0 million for the year ended 31 December 2018. Such increase was primarily due to increase in total cost for the procurement of software and hardware used in performing the IT implementation and supporting services which is in line with the increase in revenue derived from the IT implementation and supporting service segment during the relevant year.
- **Cloud service costs** – cloud service costs increased by approximately RMB40.5 million, or approximately 35.4%, from approximately RMB114.5 million for the year ended 31 December 2017 to approximately RMB155.0 million for the year ended 31 December 2018. Such increase was primarily due to increase in our procurement for third party cloud-related software as well as server storage which is in line with the increase in our revenue derived from cloud services segment during the relevant year.
- **Subcontracting fee** – our subcontracting fee increased by approximately RMB20.6 million, or approximately 91.6%, from approximately RMB22.5 million for the year ended 31 December 2017 to approximately RMB43.2 million for the year ended 31 December 2018. Such increase was in line with the increase in our revenue derived from IT implementation and supporting services as more technical and maintenance support services provided by our IT vendors are required.
- **Direct staff cost** – direct staff cost increased by approximately RMB1.9 million, or approximately 38.0%, from approximately RMB4.9 million for the year ended 31 December 2017 to approximately RMB6.8 million for the year ended 31 December 2018. Such increase was primarily because (i) we hired more technical staff for the year ended 31 December 2018 in light of our business expansion and (ii) more direct staff costs is allocated in light of the increase in number of projects during the relevant year.

Gross profit and gross profit margin

As a result of the foregoing reasons, our gross profit increased by approximately RMB18.0 million, or approximately 30.9%, from approximately RMB58.5 million for the year ended 31 December 2017 to approximately RMB76.5 million for the year ended 31 December 2018, with our overall gross profit margin for the years ended 31 December 2017 and 2018 remained relatively stable at approximately 12.5% and 12.5%, respectively.

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- **IT infrastructure services** – Our gross profit slightly decreased by approximately RMB1.9 million, or approximately 7.8%, from approximately RMB24.7 million for the year ended 31 December 2017 to approximately RMB22.8 million for the year ended 31 December 2018, with our gross profit margin remains relatively stable at approximately 9.8% and 8.2% for the years ended 31 December 2017 and 2018, respectively.
- **IT implementation and supporting services** – Our gross profit increased by approximately RMB7.6 million, or approximately 67.7%, from approximately RMB11.3 million for the year ended 31 December 2017 to approximately RMB18.9 million for the year ended 31 December 2018, with our gross profit margin remains relatively stable at approximately 14.0% and 12.9% for the years ended 31 December 2017 and 2018, respectively.
- **Cloud services** – Our gross profit increased by approximately RMB12.4 million, or approximately 55.0%, from approximately RMB22.5 million for the year ended 31 December 2017 to approximately RMB34.9 million for the year ended 31 December 2018, with our gross profit margin increased from approximately 16.4% for the year ended 31 December 2017 to approximately 18.4% for the year ended 31 December 2018. Our increase in gross profit and gross profit margin was primarily due to we have relatively more projects with higher gross profit margin in 2018 compare to the same in 2017.

Other income and gains

Our other income and gains increased by approximately RMB0.3 million, or approximately 14.9%, from approximately RMB2.2 million for the year ended 31 December 2017 to approximately RMB2.5 million for the year ended 31 December 2018. The increase was primarily attributable to increase in government grants by approximately RMB0.3 million mainly due to support for internet and e-commerce related operations.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately RMB0.7 million, or approximately 6.7%, from approximately RMB10.5 million for the year ended 31 December 2017 to approximately RMB11.2 million for the year ended 31 December 2018. Such increase was primarily attributable to (i) increase in staff cost for our sales team by approximately RMB0.8 million due to increase in bonus distributed in line with our increase in revenue; partially offset by (ii) decrease in marketing expense by approximately RMB0.1 million.

Administrative expenses

Our administrative expenses increased by approximately RMB4.4 million, or approximately 37.6%, from approximately RMB11.8 million for the year ended 31 December 2017 to approximately RMB16.2 million for the year ended 31 December 2018. Such increase was primarily attributable to (i) increase in Listing expenses by approximately RMB5.3 million; and (ii) increase in tax and levy by approximately RMB0.8 million due to increase in local tax such as urban construction tax, education tax which are taxed according to our VAT payable hence the increase was in line with the increase of our revenue partially offset by (i) the decrease in rental expenses by approximately RMB0.1 million because of the disposal of Guangzhou Edensoft in 2017 hence we do not need to be responsible for its office rental; and (ii) the decrease in office expenses by approximately RMB0.4 million.

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R&D expense

Our R&D expenses increased by approximately RMB7.9 million, or approximately 74.5%, from approximately RMB10.6 million for the year ended 31 December 2017 to approximately RMB18.5 million for the year ended 31 December 2018. Such increase was primarily attributable to (i) the increase of project development expenses of approximately RMB7.6 million which refer to service fee paid to IT vendors for support provided to our R&D projects, purchase of relevant equipments such as hardware and cloud subscription fee for our R&D projects as well as testing fee, as a result of the increase in R&D projects from 13 projects in 2017 to 21 projects in 2018; and (ii) increase in staff cost by approximately RMB0.5 million as we hired more technical staff during the relevant years.

Other expenses

Our other expense decreased by approximately RMB0.6 million, or approximately 62.8%, from approximately RMB1.0 million for the year ended 31 December 2017 to approximately RMB0.4 million for the year ended 31 December 2018. Such decrease was primarily because we did not have any expenses for disposal of subsidiaries for the year ended 31 December 2018.

Finance costs

Our finance costs remained relatively stable for the years ended 31 December 2017 and 2018.

Income tax expenses

Our income tax expenses increased by approximately RMB0.8 million, or approximately 21.2% from approximately RMB3.7 million for the year ended 31 December 2017 to RMB4.5 million for the year ended 31 December 2018 which is in line with our increase in revenue. Our effective tax rate remains relatively stable at approximately 14.4% and 14.3% for the years ended 31 December 2017 and 2018, respectively.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately RMB4.9 million, or approximately 21.8%, from approximately RMB22.3 million for the year ended 31 December 2017 to approximately RMB27.1 million for the year ended 31 December 2018. Our net profit margin remained relatively stable at approximately 4.8% and 4.4% for the years ended 31 December 2017 and 2018.

Profit attributable to owners of the parent

As a result of the foregoing, our profit attributable to owners of the parent increased by approximately RMB4.8 million, or approximately 21.3%, from approximately RMB22.4 million for the year ended 31 December 2017 to approximately RMB27.1 million for the year ended 31 December 2018.

Year ended 31 December 2017 compared to year ended 31 December 2016

Revenue

Our revenue increased by approximately RMB141.1 million or approximately 43.1% from approximately RMB327.3 million for the year ended 31 December 2016 to approximately RMB468.4 million for the year ended 31 December 2017. Such increase was mainly driven by the increase in revenue from IT infrastructure services and cloud services.

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Revenue from IT infrastructure services

Our revenue generated from the provision of IT infrastructure services increased from approximately RMB198.9 million for the year ended 31 December 2016 to approximately RMB251.0 million for the year ended 31 December 2017, representing an increase by approximately RMB52.1 million, or approximately 26.2%. Such increase was attributable to (i) increase in total number of IT infrastructure services projects from 1,677 for the year ended 31 December 2016 to 1,721 for the year ended 31 December 2017 with the average contract sum remains relatively stable at approximately RMB0.2 million for the relevant years; (ii) in particular, we have entered a five year enterprise agreement with Customer A in March 2017 for provision of IT infrastructure services and cloud services with contract sum of approximately RMB500 million. As such, our revenue generated from Customer A for IT infrastructure services has increased by approximately RMB42.6 million from the year ended 31 December 2016 to 2017 which also mainly contributed by the increase in number of IT infrastructure services contracts by 44, or approximately 2.6%, for the same period.

Revenue from IT implementation and supporting services

Our revenue generated from the provision of IT implementation and supporting services increased from approximately RMB79.9 million for the year ended 31 December 2016 to approximately RMB80.4 million for the year ended 31 December 2017, representing an increase by approximately RMB0.5 million, or approximately 0.7% which remains relatively stable.

Revenue from cloud services

Our revenue generated from the provision of cloud services increased from approximately RMB48.6 million for the year ended 31 December 2016 to approximately RMB137.0 million for the year ended 31 December 2017, representing an increase by approximately RMB88.5 million, or approximately 182.1%. Such increase was attributable to (i) increase in total number of cloud services projects from 280 for the year ended 31 December 2016 to 710 for the year ended 31 December 2017 with the average contract sum remains relatively stable at RMB0.3 million during the relevant years; (ii) in particular we have entered into (a) one IT implementation and supporting services and cloud services contract with Customer F in April 2017 for a three year contract period with a total contract sum of RMB34.8 million with approximately RMB8.1 million revenue recognised for this segment for the year ended 31 December 2017; and (b) under the five year enterprise agreement with Customer A signed in March 2017 for provision of IT infrastructure services and cloud services with contract sum of approximately RMB500 million, we recognised approximately RMB49.5 million revenue for this segment for the year ended 31 December 2017. The increase in number of cloud services projects by 430, or approximately 153.6%, was mainly driven by (1) orders from existing customers such as the aforesaid five-year enterprise agreement with Customer A as well as the IT implementation and supporting services and cloud services contracts with Customer F; (2) we have engaged over 150 new customers for our cloud services for the year ended 31 December 2017. Such increase was due to our Group's sales strategy to provide discount to certain of its cloud services customers in order to maintain business relationship with these customers and enhance market share of its cloud services.

Cost of sales

Our cost of sales increased by approximately RMB120.5 million, or approximately 41.6% from approximately RMB289.4 million for the year ended 31 December 2016 to approximately RMB410.0 million for the year ended 31 December 2017. Such increase was in line with the increase in our revenue during the year, details of which are explained below:

- ***Procurement cost for IT infrastructure services*** – procurement cost for IT infrastructure services increased by approximately RMB44.6 million, or 24.5%, from approximately RMB181.7 million for the year ended 31 December 2016 to approximately RMB226.3 million for the year ended 31 December 2017. Such increase was primarily due to the increase in total costs for procurement of the software and hardware, in particular for Customer A, which is in line with the increase in our revenue derived from the IT infrastructure services segment.

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- **Procurement cost for IT implementation and supporting services** – procurement cost for IT implementation and supporting services decreased by approximately RMB5.6 million, or approximately 11.9%, from approximately RMB47.3 million for the year ended 31 December 2016 to approximately RMB41.7 million for the year ended 31 December 2017. Such decrease notwithstanding the increase of our revenue in IT implementation and supporting services was primarily due to decrease in average procurement costs for IT products for each IT implementation and supporting services project in 2017.
- **Cloud service cost** – cloud service cost increased by approximately RMB76.5 million, or approximately 201.1%, from approximately RMB38.0 million for the year ended 31 December 2016 to approximately RMB114.5 million for the year ended 31 December 2017. Such increase was in line with our revenue increase in the cloud service segment in the same year.
- **Subcontracting cost** – Subcontracting cost increased by approximately RMB3.7 million, or approximately 19.4%, from approximately RMB18.9 million for the year ended 31 December 2016 to approximately RMB22.5 million for the year ended 31 December 2017, such increase was in line with our revenue increase in the IT implementation and supporting services as more technical and maintenance support services provided by our IT vendors are required.
- **Direct staff cost** – direct staff cost increased by approximately RMB1.4 million, or approximately 41.3%, from approximately RMB3.5 million for the year ended 31 December 2016 to approximately RMB4.9 million for the year ended 31 December 2017. Such increase was in line with our increase in revenue and number of projects undertaken during the relevant year.

Gross profit and gross profit margin

As a result of the foregoing reasons, our gross profit increased by approximately RMB20.6 million, or 54.4%, from approximately RMB37.9 million for the year ended 31 December 2016 to approximately RMB58.5 million for the year ended 31 December 2017, with our overall gross profit margin for the years ended 31 December 2016 and 2017 remains relatively stable at approximately 11.6% and 12.5%, respectively.

- **IT infrastructure services** – Our gross profit increased by approximately RMB7.6 million, or approximately 44.1%, from approximately RMB17.1 million for the year ended 31 December 2016 to approximately RMB24.7 million for the year ended 31 December 2017, with our gross profit margin remains relatively stable at approximately 8.6% and 9.8% for the years ended 31 December 2016 and 2017, respectively.
- **IT implementation and supporting services** – Our gross profit increased by approximately RMB1.1 million, or approximately 10.6%, from approximately RMB10.2 million for the year ended 31 December 2016 to approximately RMB11.3 million for the year ended 31 December 2017, with our gross profit margin increased slightly from approximately 12.8% for the year ended 31 December 2016 to approximately 14.0% for the year ended 31 December 2017, primarily attributable to decrease in average procurement costs for IT products in this segment.

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- **Cloud services** – Our gross profit increased by approximately RMB12.0 million, or approximately 113.5%, from approximately RMB10.5 million for the year ended 31 December 2016 to approximately RMB22.5 million for the year ended 31 December 2017, with our gross profit margin decreased from approximately 21.7% for the year ended 31 December 2016 to approximately 16.4% for the year ended 31 December 2017, such decrease was primarily attributable to our Group's sales strategy to provide discount to certain of its cloud service customers in order to maintain business relationship with these customers and enhance market share of its cloud services.

Other income and gains

Our other income and gains remained relatively stable at approximately RMB2.1 million and approximately RMB2.2 million for the years ended 31 December 2016 and 2017, respectively. The increase in (i) gain on financial assets at fair value through profit or loss from approximately RMB88,000 for the year ended 31 December 2016 to approximately RMB0.3 million for the year ended 31 December 2017 and (ii) net foreign exchange gains of approximately RMB0.3 million which was offset by the decrease in government grants from approximately RMB1.9 million for the year ended 31 December 2016 to approximately RMB1.4 million for the year ended 31 December 2017 because number of government grants decreased from 8 to 3 for the relevant year.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately RMB0.6 million, or approximately 5.6%, from approximately RMB9.9 million for the year ended 31 December 2016 to approximately RMB10.5 million for the year ended 31 December 2017. Such increase was primarily attributable to (i) the increase in travelling expenses by approximately RMB0.2 million; and (ii) the increase in business development expenses and marketing expenses by approximately RMB0.1 million each, which are in line with the increase in our revenue during the relevant year.

Administrative expenses

Our administrative expenses increased by approximately RMB1.2 million, or approximately 10.9% from approximately RMB10.6 million for the year ended 31 December 2016 to approximately RMB11.8 million for the year ended 31 December 2017. Such increase was primarily attributable to (i) increase in tax and levy by approximately RMB0.7 million, due to increase in urban construction tax and educational related tax which is calculated based on VAT payable hence increase in line with our revenue; and (ii) increase in staff cost by approximately RMB0.5 million due to increase in headcounts of administrative department.

R&D expense

Our R&D expenses increased by approximately RMB6.8 million, or approximately 176.9%, from approximately RMB3.8 million for the year ended 31 December 2016 to approximately RMB10.6 million for the year ended 31 December 2017. Such increase was primarily attributable to (i) increase in project development expense by approximately RMB6.6 million primarily due to increase in R&D projects from 6 projects in 2016 to 13 projects in 2017; (ii) increase in staff cost by approximately RMB0.6 million as we hired more technical staff during the relevant years.

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Other expenses

Our other expense increased by approximately RMB1.0 million from approximately RMB9,000 for the year ended 31 December 2016 to approximately RMB1.0 million for the year ended 31 December 2017. Such increase was primarily attributable to loss from the disposal of Guangzhou Edensoft and SysTime in 2017.

Finance costs

Our finance costs decreased by approximately RMB1.0 million from approximately RMB1.9 million for the year ended 31 December 2016 to approximately RMB0.9 million for the year ended 31 December 2017. Such decrease was attributable to decrease in interest expense on bank borrowings resulting from decrease in bank borrowings during the relevant year as our Group has experienced an improvement in operating cashflows for the year ended 31 December 2017.

Income tax expenses

Our income tax expenses increased by approximately RMB1.9 million from approximately RMB1.8 million for the year ended 31 December 2016 to approximately RMB3.7 million for the year ended 31 December 2017. Our effective tax rate remained relatively stable at approximately 12.9% and 14.4% for the years ended 31 December 2016 and 2017.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately RMB10.3 million, or approximately 85.4%, from approximately RMB12.0 million for the year ended 31 December 2016 to approximately RMB22.3 million for the year ended 31 December 2017. Our net profit margin increased slightly from approximately 3.7% for the year ended 31 December 2016 to approximately 4.8% for the year ended 31 December 2017.

Profit attributable to owners of the parent

As a result of the foregoing, our profit attributable to owners of the parent increased by approximately RMB10.5 million, or approximately 87.8%, from approximately RMB11.9 million for the year ended 31 December 2016 to approximately RMB22.4 million for the year ended 31 December 2017.

LIQUIDITY AND FINANCIAL RESOURCES

Financial resources

During the Track Record Period, our principal sources of fund have been our equity capital, cash generated from our business operations and bank borrowings. Our primary liquidity requirements are to finance our working capital and fund our capital expenditure and growth of our operations. We have financed our operations mainly by cash generated from our operations during the Track Record Period. After the Listing, we expect to meet our liquidity needs and finance our working capital requirements from cash generated from our operations, debt and equity financings, and the net proceeds from the Share Offer, details of which please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

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Cash flows of our Group

The following table is a condensed summary of our consolidated statements of cash flows for the years indicated:

Selected consolidated statements of cash flows

	For the year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Operating cash flows before movements				
in working capital	17,302	29,365	33,775	34,754
Changes in working capital	(16,016)	(5,818)	(18,400)	(20,266)
Income tax paid	<u>(2,188)</u>	<u>(1,770)</u>	<u>(2,781)</u>	<u>(4,417)</u>
Net cash flows (used in)/generated				
from operating activities	(902)	21,777	12,594	10,071
Net cash flows (used in)/generated				
from investing activities	(12,600)	3,560	1,137	(2,889)
Net cash flows generated from/(used in)				
financing activities	29,995	(54,769)	(13,479)	2,366
Net increase/(decrease) in cash and cash				
equivalents	16,493	(29,432)	252	9,548
Cash and cash equivalent at the beginning of				
the year	26,936	43,429	13,997	14,022
Effect of foreign exchange rate changes, net	<u>—</u>	<u>—</u>	<u>(227)</u>	<u>322</u>
Cash and cash equivalent at the end of the year	<u>43,429</u>	<u>13,997</u>	<u>14,022</u>	<u>23,892</u>

Cash flows (used in)/generated from operating activities

Net cash generated from or used in operating activities comprises profit before income tax adjusted mainly for non-cash items, such as depreciation, impairment of goodwill, loss on disposal of subsidiaries, deferred income, reversal of/impairment of trade and bills receivables and other receivables, depreciation of right-of-use for leases, gain on disposal of property, plant and equipment, share of losses of associate for Fuzhou Donghu, and adjusted for the change in working capital. During our Track Record Period, our cash flow from operating activities was principally from receipt of payments from our customers for our IT infrastructure services, IT implementation and supporting services and cloud services. Our cash used in operating activities was primarily consists of (i) purchase of hardware and software; (ii) payment of services provided by our vendors and subcontractors; (iii) staff costs; and (iv) letters of guarantee for certain of our IT vendors.

For the year ended 31 December 2019, we had net cash flows generated from operating activities of approximately RMB10.1 million. This represents our profit before tax of approximately RMB28.9 million, adjusted mainly for non-operating cash items and our operating cash flows before movement in working capital amounted to approximately RMB34.8 million. Change in working capital primarily reflected decrease in trade payables of approximately RMB10.0 million, increase in trade and bills receivables of approximately RMB8.1 million, increase in contract assets of approximately RMB5.9 million, increase in prepayment, deposits and other receivables of approximately RMB3.3 million, offset by the decrease in inventories of approximately RMB6.5 million and increase in contract liabilities of approximately RMB0.6 million.

FINANCIAL INFORMATION

For the year ended 31 December 2018, we had net cash flows generated from operating activities of approximately RMB12.6 million. This represents our profit before tax of approximately RMB31.7 million, adjusted mainly by non operating cash items and our operating cash flows before movement in working capital amounted to approximately RMB33.8 million. Change in working capital primarily reflected the increase in contract assets of RMB2.5 million, increase in inventories of approximately RMB10.9 million, increase in trade and bills receivable of approximately RMB36.4 million, offset by increase in trade payables of approximately RMB30.7 million and decrease in prepayments, deposits and other receivables of approximately RMB0.7 million.

For the year ended 31 December 2017, we had net cash flows generated from operating activities of approximately RMB21.8 million. This represents our profit before tax of approximately RMB26.0 million, adjusted mainly by non operating cash items and our operating cash flows before movement in working capital amounted to approximately RMB29.4 million. Change in working capital primarily reflected the increase in inventories of RMB9.9 million, decrease in trade payables of approximately RMB15.1 million, offset by decrease in trade and bills receivables of approximately RMB7.4 million, decrease in prepayments, deposits and other receivables of approximately RMB6.1 million, and increase in other payables and accruals of approximately RMB1.7 million and increase in contract liabilities of approximately RMB4.1 million.

For the year ended 31 December 2016, we had net cash flows used in operating activities of approximately RMB0.9 million. This represents our profit before tax of approximately RMB13.8 million, adjusted mainly by non operating cash items and our operating cash flows before movement in working capital amounted to approximately RMB17.3 million. Change in working capital primarily reflected the increase in inventories of approximately RMB24.0 million, increase in trade and bills receivables of approximately RMB5.9 million, increase in contract assets of approximately RMB6.3 million, offset by decrease in prepayments, deposits and other receivables of approximately RMB4.1 million, the increase in trade payables of approximately RMB12.1 million and increase in other payables and accruals of approximately RMB2.6 million and increase in contract liabilities of approximately RMB1.4 million.

For details of the reasons for the abovementioned changes, please refer to paragraph headed “Description on Major Components of Statements of Financial Position” below in this section.

Cash flows (used in)/generated from investing activities

Our cash flows generated from investing activities consist of (i) proceeds from disposal of financial assets at fair value through profit or loss, (ii) proceeds from disposal of items of property, plant and equipment, (iii) gain on financial assets at fair value through profit or loss, (iv) interest received and (v) pledged deposits for factoring for Customer A, letters of guarantee for Supplier A and R&D projects. Our cash flows used in investing activities consist of (i) purchase of items of property, plant and equipment, (ii) disposal of our then operating subsidiaries Guangzhou Edensoft and SysTime in 2017, (iii) consideration paid for acquisition of subsidiaries under common control for Shenzhen Yundeng and (iv) cost of investment in an associate for Fuzhou Donghu.

For the year ended 31 December 2019, we had net cash used in investing activities of approximately RMB2.9 million, which mainly reflected the consideration paid for acquisition of subsidiaries under common control for Shenzhen Yundeng of approximately RMB1.5 million, cost of investment in an associate for Fuzhou Donghu of approximately RMB1.2 million, purchase of items of property, plant and equipment of approximately RMB1.2 million, offset by the proceeds from financial assets at fair value through profit and loss of approximately RMB0.6 million.

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For the year ended 31 December 2018, we had net cash generated from investing activities was approximately RMB1.1 million, which mainly reflected the proceeds from financial assets at fair value through profit or loss of approximately RMB0.7 million and decrease in pledged deposits of approximately RMB0.3 million.

For the year ended 31 December 2017, we had net cash generated from investing activities amounted to approximately RMB3.6 million, which mainly reflected the decrease in pledged deposits of approximately RMB6.5 million, partially offset by disposal of subsidiaries of approximately RMB2.6 million and purchase of financial assets at fair value through profit or loss of approximately RMB0.8 million.

For the year ended 31 December 2016, we had net cash used in investing activities was approximately RMB12.6 million, which mainly reflected the increase in pledged deposits of approximately RMB13.2 million partially offset by the proceeds from the disposal of financial assets at fair value through profit or loss of approximately RMB0.9 million.

Cash flow generated from/(used in) financing activities

Our net cash generated from financing activities consist of (i) new bank loans, (ii) proceeds from issue of share, while our net cash used in financing activities consist of (i) dividends paid to shareholders, (ii) repayment of bank loans, (iii) interest paid and (iv) principal payments of lease liabilities.

For the year ended 31 December 2019, we had net cash generated from financing activities of approximately RMB2.4 million, which mainly reflected new bank loans drawn of approximately RMB105.4 million and proceeds from the issue of shares of our Company of approximately RMB7.7 million, partially offset by repayment of bank loans of approximately RMB105.7 million, principal payments of lease liabilities of approximately RMB3.0 million and interest paid of approximately RMB2.0 million.

For the year ended 31 December 2018, we had net cash used in financing activities of approximately RMB13.5 million, which mainly reflected repayment of bank loans of approximately RMB40.6 million and dividends paid to shareholders of approximately RMB12.9 million, partially offset by the new bank loans drawn of approximately RMB34.9 million.

For the year ended 31 December 2017, we had net cash used in financing activities of approximately RMB54.8 million, which mainly reflected repayment of bank loans of approximately RMB65.6 million and dividends paid to shareholders of approximately RMB4.3 million, partially offset by new bank loans drawn of approximately RMB17.6 million.

For the year ended 31 December 2016, we had net cash generated from financing activities of approximately RMB30.0 million, which mainly reflected new bank loans drawn of approximately RMB152.3 million, partially offset by repayment of bank loans of approximately RMB118.6 million and interest paid of approximately RMB1.7 million.

FINANCIAL INFORMATION

Net current assets

The following table sets forth a breakdown of our current assets, current liabilities, and net current assets as at the dates indicated:

	As at 31 December				As at 29 February 2020
	2016	2017	2018	2019	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets					
Inventories	24,363	33,772	44,709	38,228	31,735
Trade and bill receivables	66,736	57,574	93,524	101,236	102,094
Prepayments, deposits and other receivables	13,555	5,783	5,043	8,340	9,792
Contract assets	6,273	6,364	8,791	14,609	14,609
Financial assets at fair value through profit or loss	3,000	100	–	–	–
Pledged deposits	16,340	9,877	9,561	9,376	9,376
Cash and cash equivalents	<u>43,429</u>	<u>13,997</u>	<u>14,022</u>	<u>23,892</u>	<u>23,013</u>
	<u>173,696</u>	<u>127,467</u>	<u>175,650</u>	<u>195,681</u>	<u>190,619</u>
Current liabilities					
Trade payables	83,422	61,746	92,424	82,397	71,977
Other payables and accruals	5,000	6,921	9,065	7,515	8,507
Contract liabilities	2,685	6,812	4,668	5,257	–
Interest-bearing bank borrowings	59,621	11,605	5,951	5,652	15,052
Lease liability (current)	1,493	1,213	2,871	3,213	3,012
Tax payable	<u>268</u>	<u>2,226</u>	<u>3,939</u>	<u>3,975</u>	<u>4,208</u>
	<u>152,489</u>	<u>90,523</u>	<u>118,918</u>	<u>108,009</u>	<u>102,756</u>
Net current assets	<u>21,207</u>	<u>36,944</u>	<u>56,732</u>	<u>87,672</u>	<u>87,863</u>

We recorded net current assets of approximately RMB21.2 million, RMB36.9 million, RMB56.7 million, RMB87.7 million and RMB87.9 million as at 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019 and 29 February 2020, respectively.

Our net current assets increased by approximately RMB15.7 million from approximately RMB21.2 million as at 31 December 2016 to approximately RMB36.9 million as at 31 December 2017. The increase was primarily due to the combined effect of (i) increase in inventories of approximately RMB9.4 million, (ii) decrease in trade payables of approximately RMB21.7 million and (iii) decrease in interest-bearing bank borrowings of approximately RMB48.0 million, as at the year ended 31 December 2017 partially offset by (i) decrease in trade and bill receivables of approximately RMB9.2 million, (ii) decrease in prepayment, deposits and other receivables of approximately RMB7.8 million and (iii) decrease in pledged bank deposits and cash and cash equivalents in aggregate of approximately RMB35.9 million.

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Our net current assets further increased to approximately RMB56.7 million as at 31 December 2018. The increase was primarily due to the combined effect of (i) increase in inventories of approximately RMB10.9 million; (ii) increase in trade and bills receivables of approximately RMB36.0 million; and (iii) decrease in interest-bearing bank borrowings of approximately RMB6.0 million, partially offset by increase in trade payable of approximately RMB30.7 million.

Our net current assets further increased to approximately RMB87.7 million as at 31 December 2019. The increase was primarily due to the combined effect of (i) increase in trade and bill receivables of approximately RMB7.7 million; (ii) increase in cash and cash equivalent of approximately RMB9.9 million; (iii) increase in contract assets of approximately RMB5.8 million; and (iv) decrease in trade payables of approximately RMB10.0 million, partially offset by decrease in inventories of approximately RMB6.5 million.

Our net current assets further increased to approximately RMB87.9 million as at 29 February 2020. The increase was primarily due to the combined effect of (i) increase in prepayments, deposit and other receivables of approximately RMB1.5 million; (ii) decrease in trade payables of approximately RMB10.4 million and (iii) decrease in contract liabilities of approximately RMB5.3 million, partially offset by (i) decrease in inventories of approximately RMB6.5 million and (ii) increase in interest-bearing bank borrowings of approximately RMB9.4 million.

For details of the reasons for the abovementioned changes please refer to the paragraph headed “Description on Major Components of Statements of Financial Position” below in this section.

DESCRIPTION ON MAJOR COMPONENTS OF STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

During the Track Record Period, our property, plant and equipment consisted mainly of buildings, office and other equipment, motor vehicles and leasehold improvement. As at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, the net carrying amount of our property, plant and equipment were approximately RMB1.5 million, RMB1.0 million, RMB0.7 million and RMB1.4 million, respectively.

Inventories

Our inventories primarily consisted of (i) hardware such as portable computer and its ancillary accessories; and (ii) software license and package.

We recorded inventories of approximately RMB24.4 million, RMB33.8 million, RMB44.7 million and RMB38.2 million as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, respectively. We generally place orders with our vendors upon receiving confirmation of orders from our customers to reduce risk exposure to obsolete or slow-moving stock. Hence, majority of our inventories as at year end represent orders to be delivered to our customers after year end. For hardware products, we normally deliver the same to our customers within a week after confirmation of the purchase orders from our customers. For software products, once our customer have confirmed the orders, we will dispatch the activation keys for them to activate the software, they will be held as inventories until the software being accepted by our customers. We keep spare units of certain hardware mainly portable computer and its ancillary accessories.

FINANCIAL INFORMATION

The following table sets out the breakdown of our inventories as of the dates indicated which were stated at cost, as well as our inventory turnover days for the years indicated:

	As at/for the year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Commodity products	<u>24,363</u>	<u>33,772</u>	<u>44,709</u>	<u>38,228</u>
Average inventory turnover days ⁽¹⁾	<u>14</u>	<u>23</u>	<u>23</u>	<u>19</u>

Note:

- (1) Average inventory turnover days are based on the average balance of inventories divided by revenue for the relevant year and multiplied by the number of days in the relevant year (i.e. 366 days for the year ended 31 December 2016, 365 days for the year ended 31 December 2017, 365 days for the year ended 31 December 2018 and 365 days for the year ended 31 December 2019). Average balance is calculated as the average of the beginning balance and ending balance of a given year.

Our inventories increased from approximately RMB24.4 million as at 31 December 2016 to approximately RMB33.8 million as at 31 December 2017, the increment is in line with the increase in our revenue and was primarily attributable for the products we purchased for one of our top five customers as we have entered into a five-year enterprise agreement with them in March 2017. Our inventories further increased to approximately RMB44.8 million as at 31 December 2018 which is primarily attributable to increase in transaction amount with Customer A hence increase in purchase of software for them during the relevant year. Our inventories then decreased to approximately RMB38.2 million as at 31 December 2019, such decrease was primarily because majority of our purchase of inventory for Customer A has been delivered and accepted by Customer A during the first half of 2019.

Our average inventory turnover days increased from approximately 14 days for the year ended 31 December 2016 to approximately 23 days for the year ended 31 December 2017, such increase was mainly because we entered into a five-year enterprise agreement with one of our top five customers hence we have increased number of transactions with the same in 2017. To ensure we can deliver the orders to Customer A in time, we generally prepare earlier and place such orders to our IT vendors at an earlier time as compared to 2016, resulting in increase in inventory turnover days during the relevant years. Our average inventory turnover days remained constant at 23 days for the year ended 31 December 2018. Our average inventory turnover days decreased to 19 days for the year ended 31 December 2019, primarily attributable to the decrease in inventories as mentioned above.

As at the Latest Practicable Date, approximately RMB17.9 million, or approximately 46.8% of our inventories as at 31 December 2019 were subsequently sold or utilised.

FINANCIAL INFORMATION

Trade and bills receivables

During the Track Record Period, our trade and bills receivables primarily represented amounts receivable from our customers for our IT infrastructure services, IT implementation and supporting services and cloud services. The following table sets forth our trade and bills receivables as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, respectively:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	50,807	47,577	93,674	101,615
Impairment	(591)	(473)	(468)	(829)
Trade receivable, net	50,216	47,104	93,206	100,786
Bills receivables	16,520	10,470	318	450
Total	66,736	57,574	93,524	101,236

Our trade and bills receivables decreased from approximately RMB66.7 million as at 31 December 2016 to approximately RMB57.6 million as at 31 December 2017 mainly because the credit period for majority of our contracts with Customer A in 2016 was 90 days. We signed a five-year enterprise agreement with one of our top five customers in March 2017, in which the credit period we granted to Customer A has reduced to 30 days, resulting in the decrease of our trade receivable during the relevant year.

Our trade and bills receivables increased from approximately RMB57.6 million as at 31 December 2017 to approximately RMB93.5 million as at 31 December 2018, which is mainly attributable to (i) increase in transaction amount with Customer A for the year ended 31 December 2018 as compared to the same in 2017; (ii) we entered into sales and purchase agreement with Customer H in late December 2018 with an amount of approximately RMB19.3 million receivable as at the year ended 31 December 2018.

Our trade and bills receivables increased from approximately RMB93.5 million as at 31 December 2018 to approximately RMB101.2 million as at 31 December 2019, primarily attributable to (i) increase in trade receivables from Customer B mainly due to the increase in revenue generated from Customer B for the year ended 31 December 2019 as compared to 2018; (ii) the increase in trade receivables from certain customers mainly resulted from the revenue generated from the order placed in December 2019; and partially offset by the decrease in trade receivables from Customer A mainly resulted from decrease in revenue generated from Customer A in December 2019.

Our bills receivables decreased from approximately RMB16.5 million as at 31 December 2016 to approximately RMB10.5 million as at 31 December 2017. This is because Customer B is the major customer to use bills receivable for settlement, since transaction with Customer B for the year ended 31 December 2017 was lower than the same in 2016, resulting in the decrease in bills receivable as at 31 December 2017. Our bills receivables further decreased to approximately RMB0.3 million as at 31 December 2018 mainly attributable to the delay in issuing bills for settlement to us from Customer B thus their receivable is classified as trade receivable instead of bills receivable as at 31 December 2018. Our bills receivables increased by approximately RMB0.2 million, from approximately RMB0.3 million as at 31 December 2018 to approximately RMB0.5 million as at 31 December 2019.

FINANCIAL INFORMATION

We recorded an impairment of trade receivables in the amount of approximately RMB0.6 million, RMB0.5 million, RMB0.5 million and RMB0.8 million as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019. Below set out the movements in the loss allowance for impairment of trade receivables:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year	730	591	473	468
Effect of adoption of HKFRS 9	—	—	197	—
At beginning of year (restated)	730	591	670	468
(Reversal of)/impairment losses	(139)	(79)	270	361
Amount written off as uncollectible	—	—	(472)	—
Derecognised due to disposal of subsidiaries	—	(39)	—	—
At end of year	<u>591</u>	<u>473</u>	<u>468</u>	<u>829</u>

We have implemented the following policies of allowances for doubtful debts: (i) the supervisor of our business development department would urge our sales staff to collect the doubtful debts. Our sales staff generally would contact our customers for the debts collection if the trade receivables are past due for less than one month; (ii) for trade receivable past due for over three months, our business development department will arrange to collect the same soonest possible; (iii) for trade receivable past due for over six months, our head of business development department will report to the general manager of our Group and at the same time devise a strategy to collect the same, including but not limited to visiting the customers' office; and (iv) for trade receivable past due over 24 months, our Group will treat it as bad debt and may initiate legal action against the customers.

Below set out the ageing analysis of our trade receivables at the end of each track record year, based on the invoice date:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 30 days	30,173	21,882	77,516	67,116
31 to 60 days	14,763	14,105	6,084	24,913
61 to 90 days	4,438	5,042	1,995	5,605
Over 90 days	<u>1,433</u>	<u>6,548</u>	<u>8,079</u>	<u>3,981</u>
Total	<u>50,807</u>	<u>47,577</u>	<u>93,674</u>	<u>101,615</u>

We normally allow a credit period ranging from 15 to 90 days to our customers and maintain control over our outstanding receivables. The trade receivables with ageing of 31 to 60 days increased from approximately RMB6.1 million as at 31 December 2018 to approximately RMB24.9 million as at 31 December 2019 primarily due to the increase in trade receivables from Customer B of approximately RMB18.1 million. Such balance was subsequently settled as at the Latest Practicable Date.

As at the Latest Practicable Date, approximately RMB70.4 million, or approximately 69.9%, of our trade receivables as at 31 December 2019 was subsequently settled.

FINANCIAL INFORMATION

The following table sets out the turnover of our (i) average trade receivables; (ii) average trade and bills receivables; and (iii) average trade and bills receivables and contract assets, for the years indicated:

	For the year ended 31 December			
	2016	2017	2018	2019
Average trade receivables turnover days (<i>Note i</i>)	63	38	42	45
Average trade and bills receivables turnover days (<i>Note ii</i>)	71	48	45	45
Average trade and bills receivables and contract assets turnover days (<i>Note iii</i>)	75	53	50	50

Note:

- i) Trade receivables turnover days for a year equals the average of the opening and closing trade receivables divided by revenue for the same year and multiplied by the number of days in the relevant year (i.e. 366 days for the year ended 31 December 2016, 365 days for the year ended 31 December 2017, 365 days for the year ended 31 December 2018 and 365 days for the year ended 31 December 2019).
- ii) Trade and bills receivables turnover days for a year equals the average of the opening and closing trade and bills receivables divided by revenue for the same year and multiplied by the number of days in the relevant year (i.e. 366 days for the year ended 31 December 2016, 365 days for the year ended 31 December 2017, 365 days for the year ended 31 December 2018 and 365 days for the year ended 31 December 2019).
- iii) Trade and bills receivables and contract assets turnover days for a year equals the average of the opening and closing trade and bills receivables and contract assets divided by revenue for the same year and multiplied by the number of days in the relevant year (i.e. 366 days for the year ended 31 December 2016, 365 days for the year ended 31 December 2017, 365 days for the year ended 31 December 2018 and 365 days for the year ended 31 December 2019).

Our average trade receivables turnover days decreased from 63 days for the year ended 31 December 2016 to 38 days for the year ended 31 December 2017 primarily because we signed a five year enterprise agreement with one of our top five customers with shorter credit period of 30 days in 2017 as compared to our other contracts with Customer A in 2016 which is generally 90 days credit period. Our average trade receivables turnover days remained relatively stable at 42 days and 45 days for the year ended 31 December 2018 and 2019 respectively.

Our average trade and bills receivables turnover days and trade and bills receivables and contract assets turnover days decreased from 71 days and 75 days for the year ended 31 December 2016, to 48 days and 53 days for the year ended 31 December 2017, respectively primarily due to (i) the abovementioned reason of the decrease in average trade receivables turnover days for the year ended 31 December 2017; and (ii) the decrease in bills receivables for the year ended 31 December 2017 mainly because the transaction with Customer B for the year ended 31 December 2017 was lower than the same in 2016 as Customer B is our major customer who use bills receivables for settlement. Our average trade and bills receivables turnover days and trade and bills receivables and contract assets turnover days remained relatively stable at 45 days and 50 days for the year ended 31 December 2018, and at 45 days and 50 days for the year ended 31 December 2019, respectively.

FINANCIAL INFORMATION

Prepayments, deposits and other receivables

The following table sets out the components of prepayments and deposits and other receivables as at the dates indicated:

	As at 31 December			
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments	7,018	4,868	1,745	1,919
Deposits and other receivables	<u>6,537</u>	<u>915</u>	<u>3,298</u>	<u>6,421</u>
	<u>13,555</u>	<u>5,783</u>	<u>5,043</u>	<u>8,340</u>

Our prepayments primarily represent prepayments for purchase of IT software and/or hardware from certain of our vendors, which decreased from approximately RMB7.0 million as at 31 December 2016 to approximately RMB4.9 million as at 31 December 2017. Such decrease was primarily attributable to two suppliers for the year ended 31 December 2016 which we had an aggregate purchase in the amount of approximately RMB3.5 million for IT products from them but we did not transact with them in 2017. Our prepayments further decreased to approximately RMB1.7 million for the year ended 31 December 2018. Such further decrease was primarily attributable to the decrease in number of suppliers that request for prepayment from 65 for the year ended 31 December 2017 to 26 for the year ended 31 December 2018. Our prepayment remained relatively stable at approximately RMB1.9 million as at 31 December 2019.

Our deposits and other receivables primarily represent advance payment of social insurance fund and housing provident fund paid on behalf of our employees due to timing difference between payment of such fund to relevant government and payment of salary to our employees, as well as guarantees paid to our customer to ensure we honor our obligation under the contract or for submitting tender document for their projects, which decreased from approximately RMB6.5 million for the year ended 31 December 2016 to approximately RMB0.9 million for the year ended 31 December 2017. Such decrease was primarily attributable to certain other receivables with aggregate amounts of approximately RMB4.5 million belongs to our then operating subsidiary SysTime which we disposed in 2017. Our deposits and other receivables increased from approximately RMB0.9 million for the year ended 31 December 2017 to approximately RMB3.3 million for the year ended 31 December 2018, which was primarily attributable to Listing expenses of approximately RMB1.8 million which will be capitalised upon Listing. Our deposits and other receivables increased from approximately RMB3.3 million as at 31 December 2018 to approximately RMB6.4 million as at 31 December 2019, primarily attributable to increase in Listing expenses by approximately RMB2.7 million which will be capitalised upon Listing.

Contract assets

Details of contract assets as at the dates indicated are as follows:

	As at 31 December			
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Contract assets arising from</i>				
IT implementation and supporting services	6,273	6,364	8,835	14,712
Impairment	<u>—</u>	<u>—</u>	<u>(44)</u>	<u>(103)</u>
	<u>6,273</u>	<u>6,364</u>	<u>8,791</u>	<u>14,609</u>

FINANCIAL INFORMATION

Contract assets represents revenue earned from the provision of IT implementation and supporting services that can be recognised as at year end yet the receipt of consideration is conditional on successful completion of the project. Upon completion of implementation and acceptance by the customer, the balances will be reclassified to trade receivables. Our contract assets balance remained stable at approximately RMB6.3 million and approximately RMB6.4 million as at 31 December 2016 and 2017 respectively. Our contract balance increased to approximately RMB8.8 million as at 31 December 2018 was due to increase in the ongoing provision of IT implementation and supporting services at the end of 2018. Our contract assets increased from approximately RMB8.8 million as at 31 December 2018 to approximately RMB14.6 million as at 31 December 2019, primarily attributable to the increase in the ongoing provision of IT implementation and supporting services as at the end of 2019.

As at the Latest Practicable Date, all of the contract assets as at 31 December 2016, 31 December 2017 and 31 December 2018 were subsequently certified and approximately RMB11.1 million, or approximately 76.0% of the contract assets as at 31 December 2019 were subsequently certified.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss mainly represent non-structural wealth management products purchased by our Group from a bank in the PRC, which decreased from approximately RMB3.0 million as at 31 December 2016 to approximately RMB0.1 million as at 31 December 2017. Our financial assets at fair value through profit or loss further decreased to nil as at 31 December 2018, because we have liquidated all such products by the year ended 31 December 2018. We did not have any balance of such wealth management products as at 31 December 2019.

Pledged deposits

Our pledged deposits represent (i) deposits for the repayment of advances derived from pledged trade receivable from our Customer A; (ii) guarantees issued by the bank to ensure we honor our payment to our Supplier A and Supplier G and (iii) government subsidies for R&D projects for a software developed by our Group which can only be released upon obtaining the approval from the government. Our pledged deposit decreased from approximately RMB16.3 million for the year ended 31 December 2016 to approximately RMB9.9 million for the year ended 31 December 2017, which was primarily attributable to the decrease in deposits for the repayment of advances derived from pledged trade receivable from approximately RMB12.4 million for the year ended 31 December 2016 to approximately RMB6.9 million for the year ended 31 December 2017 because of improvement in our Group operating cash flow in 2017. Our pledged deposit was approximately RMB9.6 million as at 31 December 2018, which remained relatively stable as compared to the same as at 31 December 2017 because the decrease in pledged deposit for factoring by approximately RMB6.2 million was partially offset by the increase in pledged deposits for letters of guarantee for Supplier A and Supplier G by approximately RMB5.8 million. Our pledged deposits as at 31 December 2019 remained relatively stable at approximately RMB9.4 million as compared to the same as at 31 December 2018.

Cash and cash equivalents

Our cash and cash equivalents as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019 amounted to approximately RMB43.4 million, RMB14.0 million, RMB14.0 million and RMB23.9 million, respectively.

Decrease of our cash and cash equivalents for the year ended 31 December 2016 and 31 December 2017 was primarily attributable to the improved operating cash flows of our Group in 2017, hence our Group utilise more internal resources and reduce the use of pledged trade receivable from Customer A in 2017. Our cash and cash equivalents increased from approximately RMB14.0 million as at 31 December 2018 to approximately RMB23.9 million as at 31 December 2019, primarily attributable to increase in cash flows generated from operating activities.

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Trade payables

During the Track Record Period, our trade payables mainly represent amount due to our suppliers. The following table sets forth a summary of ageing of our trade payables based on invoice date at the end of each reporting period is as follow:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 30 days	55,647	49,313	76,738	80,084
31 days to 60 days	12,090	8,770	15,078	1,279
61 days to 90 days	13,781	244	24	–
Over 90 days	1,904	3,419	584	1,034
Total	83,422	61,746	92,424	82,397

Our suppliers generally granted us credit periods ranging from 60 days to 90 days. Our trade payables decreased from approximately RMB83.4 million as at 31 December 2016 to approximately RMB61.7 million as at 31 December 2017 primarily attributable to the improved operating cash flow of our Group in 2017, hence our Group settled the payable within a shorter timeframe.

Our trade payables increased from approximately RMB61.7 million as at 31 December 2017 to approximately RMB92.4 million as at 31 December 2018, which was in line with the increase in trade receivables and inventories.

Our trade payables decreased from approximately RMB92.4 million as at 31 December 2018 to approximately RMB82.4 million as at 31 December 2019, primarily attributable to the decrease in trade payables with ageing of 31 days to 60 days by approximately RMB13.8 million mainly due to the earlier settlement to Supplier A and Supplier G for the year ended 31 December 2019 as compared to 2018.

As at the Latest Practicable Date, approximately RMB60.8 million, or approximately 73.8%, of our trade payables as at 31 December 2019 was subsequently settled.

The following table sets out the turnover days of our average account payables for the years indicated:

	For the year ended 31 December			
	2016	2017	2018	2019
Average trade payables turnover days (<i>Note</i>)	86	57	46	40

Note: Trade payables turnover days for a year equals the average of the opening and closing trade payables balance divided by revenue for the same year and multiplied by the number of days in the relevant year (i.e. 366 days for the year ended 31 December 2016, 365 days for the year ended 31 December 2017, 365 days for the year ended 31 December 2018 and 365 days for the year ended 31 December 2019).

Our average trade payables turnover days were approximately 86 days, 57 days and 46 days for the year ended 31 December 2016, 31 December 2017 and 31 December 2018, respectively. Average trade payable turnover days for the year ended 31 December 2016 was 86 days mainly due to delay in certain projects of our customers which lead to our delay in settlement to our suppliers, our trade payable turnover days has shortened to 57 days and 46 days for the years ended 31 December 2017 and 31 December 2018, respectively, as our Group settled the payable within a shorter timeframe. Our trade payable turnover days further shortened to 40 days for the year ended 31 December 2019 due to decrease in trade payables as at 31 December 2019 as mentioned above.

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Other payables and accruals

The following table sets forth a breakdown of our other payables and accruals as at the dates indicated:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Salary and welfare payables	3,037	2,749	3,577	3,589
Other payables and accruals	1,888	2,654	3,981	3,919
Accrued interests	63	18	7	7
Amount due to a then shareholders of a subsidiary	12	–	–	–
Amount due to an associate	–	1,500	1,500	–
	<u>5,000</u>	<u>6,921</u>	<u>9,065</u>	<u>7,515</u>

Our other payable and accruals primarily consist of (i) duties and levy, (ii) certain legal and professional fee for Listing and (iii) rental deposit received from our employees for their leasing of our staff quarters in Shenzhen.

Contract liabilities

Details of contract liabilities as at the dates indicated are as follows:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Short-term advances received from customers</i>				
IT infrastructure services	2,389	5,996	2,967	2,039
IT implementation and supporting services	212	60	1,076	1,693
Cloud services	84	756	625	1,525
	<u>2,685</u>	<u>6,812</u>	<u>4,668</u>	<u>5,257</u>

Contract liabilities mainly arise from advance payments from our customers while the underlying services are yet to be provided. Our contract liabilities balance increased from approximately RMB2.7 million as at 31 December 2016 to approximately RMB6.8 million as at 31 December 2017 which was mainly because we engaged in contracts with two customers near the year end of December 2017 which we have received an aggregate sum of approximately RMB3.4 million with services yet to be provided as at the year ended. Our contract liabilities balance then decreased from approximately RMB6.8 million as at 31 December 2017 to approximately RMB4.7 million as at 31 December 2018 was primarily because of the decrease in number of customers which we have received advance payment but have outstanding services to be provided as at 31 December 2018.

Our contract liabilities increased from approximately RMB4.7 million as at 31 December 2018 to approximately RMB5.3 million as at 31 December 2019 mainly due to the increase of the number of customers which we have received advance payment with outstanding services to be provided as at 31 December 2019 compared to the same as at 31 December 2018.

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INDEBTEDNESS

Statement of indebtedness

The following table sets out a breakdown of our indebtedness as at 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019 and 29 February 2020, being the latest practicable date for the purpose of this statement of indebtedness in this prospectus.

	2016 RMB'000	As at 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000	As at 29 February 2020 RMB'000 (unaudited)
Non-current					
Lease liabilities	3,119	1,973	5,056	2,230	1,851
Current					
Interest-bearing bank borrowings	59,621	11,605	5,951	5,652	15,052
Lease liabilities	1,493	1,213	2,871	3,213	3,012
Amounts due to a related party – Mr. MG Ding	12	–	–	–	–
Total	<u>64,245</u>	<u>14,791</u>	<u>13,878</u>	<u>11,095</u>	<u>19,915</u>

Bank borrowings

Our Group's banking facilities amounted to approximately RMB48.5 million, RMB52.5 million, RMB31.5 million, RMB60.0 million and RMB60.0 million as at 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019 and 29 February 2020, respectively, which were guaranteed by Ms. Ding Xinyun, the Controlling Shareholder of our Group, and a personal real estate owned by Ms. Ding Xinyun, of which approximately RMB12.4 million, RMB5.6 million, RMB3.4 million, nil and RMB15.0 million have been utilised for bank borrowings, and approximately RMB13.0 million, RMB10.0 million, RMB25.2 million, RMB45.0 million and RMB45.0 million have been utilised for letter of guarantee.

As at 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019 and 29 February 2020, our Group's interest-bearing banking borrowings amounting to approximately RMB47.2 million, RMB6.0 million, RMB2.6 million, RMB0.1 million and RMB0.1 million were secured by (i) trade and bills receivables of our Group amounting to approximately RMB48.8 million, RMB6.3 million, RMB2.7 million, RMB0.1 million and RMB0.1 million, pledged deposits of our Group amounting to approximately RMB12.4 million, RMB6.9 million, RMB0.7 million, RMB0.1 million and RMB0.1 million, as at 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019 and 29 February 2020, respectively.

As at 31 December 2019, our Group's interest-bearing bank borrowings amounting to RMB5.6 million was guaranteed by the Controlling Shareholder and an Independent Third Party finance company.

Our Group's interest-bearing bank borrowings increased from approximately RMB5.6 million as at 31 December 2019 to approximately RMB15.0 million as at 29 February 2020 was mainly due to the settlement of purchase of IT software and/or hardware products from our IT vendors.

As at 29 February 2020, we did not have any unutilised banking facilities.

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Taking into account of our financial position, our Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Our Directors believe that these bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the relevant loan agreements.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that (i) the bank borrowings are subject to the standard banking conditions and covenants that are commonly found in lending arrangements with commercial banks; (ii) there were no breach of any covenants under our banking facility letters; and (iii) our Group did not experience any material delay or default in payment of bank borrowings nor experience any difficulties in obtaining banking facilities with terms that are commercially acceptable to us.

Lease liabilities

Our Group leases various properties for a period of time through lease arrangements with lease terms ranging from 2 to 5 years. These liabilities were measured at the net present value of the lease payments during the lease terms that have not been paid. As at 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019 and 29 February 2020, our Group has total lease liabilities amounted to approximately RMB4.6 million, RMB3.2 million, RMB7.9 million, RMB5.4 million and RMB4.9 million, respectively.

Save as disclosed in the statement of indebtedness above, as at the Latest Practicable Date, our Directors confirm that our Group had no material external debt financing plan.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditure

During the Track Record Period, our capital expenditure principally consisted of (i) purchase of premises in Shenzhen as our staff quarters in 2016, (ii) purchase of office equipment and (iii) leasehold improvement, which is set forth in the table below for the years indicated.

	For the year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure				
<i>Property, plant and equipment</i>				
Office and other equipment	144	46	61	241
Leasehold improvement	257	–	–	864
Motor vehicles	–	–	–	104
	<u>401</u>	<u>46</u>	<u>61</u>	<u>1,209</u>

During the Track Record Period, our capital expenditure amounted to approximately RMB0.4 million, RMB46,000, RMB61,000 and RMB1.2 million, respectively. The increase in capital expenditure by approximately RMB1.1 million from approximately RMB61,000 for the year ended 31 December 2018 to approximately RMB1.2 million for the year ended 31 December 2019 primarily derived from the leasehold improvement resulted from the expansion of our Shenzhen office.

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RELATED PARTY TRANSACTIONS

As at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, we have banking facilities and borrowings amounted to approximately RMB48.5 million, RMB52.5 million, RMB31.5 million and RMB60.0 million guaranteed by our Controlling Shareholder. As at 31 December 2016, we have approximately RMB12,000 owed to Mr. MG Ding by our then operating subsidiary SysTime, which has been disposed together with SysTime when the latter was disposed by our Group in 2017. For further details, please refer to the paragraph headed “Description on Major Components of Statements of Financial Position – Other Payables and Accruals” in this section. As at 31 December 2019, we have due from an associate of approximately RMB750,000 which included in trade and bills receivables in the consolidated statements of financial position, which was derived from the provision of our cloud service to such associate for the year ended 31 December 2019.

Our related party transactions were conducted during the Track Record Period in accordance with terms as agreed between us and the respective related parties. Our Directors have confirmed that all related party transactions during the Track Record Period were conducted on normal commercial terms that are reasonable and in the interest of our Group as a whole. Our Directors further confirmed that these related party transactions would not distort our results of operations for the Track Record Period or make our historical result not reflective of our future performance.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, we did not have any material contingent liabilities.

LISTING EXPENSES

Our estimated Listing expenses primarily consist of legal and professional fees in relation to the Share Offer. Assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$0.25 per Share, being the Offer Price stated in this prospectus, the Listing expenses to be borne by our Company are estimated to be approximately HK\$51.0 million, of which approximately HK\$27.8 million is directly attributable to the issue of new Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately HK\$23.2 million is chargeable to the consolidated statements of profit or loss and other comprehensive income, of which approximately HK\$6.4 million (equivalent to approximately RMB5.3 million) and HK\$9.9 million (equivalent to approximately RMB8.8 million) were charged to the consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2018 and 31 December 2019, respectively, and approximately HK\$6.9 million (equivalent to approximately RMB6.2 million) is expected to be charged upon Listing. The estimated Listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet arrangement.

DISTRIBUTABLE RESERVES

Our Company has an amount of approximately RMB58.7 million available for distribution to our Shareholders as at 31 December 2019.

FINANCIAL INFORMATION

DIVIDENDS

For the four years ended 31 December 2019, our Group has declared dividend in the amount of nil, approximately RMB4.3 million, approximately RMB30.0 million and nil, respectively.

Following completion of the Share Offer, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. Our Board will review our Company's dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our financial results
- Shareholders' interests
- general business conditions, strategies and future expansion needs
- our Group's capital requirements
- the payment by its subsidiaries of cash dividends to our Company
- possible effects on liquidity and financial position of our Group
- other factors the Board may deem relevant

Our historical declarations of dividends may not reflect our future declarations of dividends.

WORKING CAPITAL SUFFICIENCY

Our Directors confirm that, taking into consideration the financial resources presently available to us, including our cash generated from operations and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the Track Record Period:

			As at 31 December		
	<i>Notes</i>	2016	2017	2018	2019
Current ratio	1	1.1	1.4	1.5	1.8
Quick ratio	2	1.0	1.0	1.1	1.5
Gearing ratio	3	212.9%	26.3%	9.1%	5.9%
Net debt to equity ratio	4	net cash	net cash	net cash	net cash
			For the year ended 31 December		
		2016	2017	2018	2019
Return on equity	5	45.5%	50.6%	41.6%	25.5%
Return on assets	6	6.5%	16.3%	14.3%	11.9%
Interest coverage	7	8.1	28.7	34.7	13.4
Net profit margin	8	3.7%	4.8%	4.4%	3.1%

FINANCIAL INFORMATION

Notes:

1. Current ratio is calculated by dividing total current assets by total current liabilities.
2. Quick ratio is calculated by dividing current assets (net of inventories) by total current liabilities.
3. Gearing ratio is calculated by dividing total debts by total equity. Our total debts include interest-bearing bank borrowings.
4. Net debt to equity ratio is calculated by dividing net debt by total equity. Net debt is defined to include total debts net of cash and cash equivalents and pledged bank deposits.
5. Return on equity is calculated by dividing profit for the year by total equity and multiplying the resulting value by 100%.
6. Return on assets is calculated by dividing profit for the year by total assets and multiplying the resulting value by 100%.
7. Interest coverage is calculated by dividing profit before interest and tax by finance costs.
8. Net profit margin is calculated by dividing profit for the year by revenue and multiplying the resulting value by 100%.

Current ratio and quick ratio

Our current ratio was 1.1, 1.4, 1.5 and 1.8 as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, respectively. Our quick ratio was 1.0, 1.0, 1.1 and 1.5 as at 31 December 2016, 2017, 2018 and 2019, respectively. The increase in the current ratio was primarily attributable to the decrease in interest-bearing bank borrowings. The quick ratio remained stable for the three years ended 31 December 2018.

The increase in current ratio and quick ratio as at 31 December 2019 was primarily attributable to increase in cash and cash equivalents, and decrease in trade payables as at 31 December 2019, as compared to 31 December 2018.

Gearing ratio and net debt to equity ratio

Our gearing ratio was 212.9%, 26.3%, 9.1% and 5.9% as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, respectively. Our net debt to equity ratio remains at net cash position as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, respectively. The decrease in the gearing ratio for the three years ended 31 December 2018 was mainly because of the decrease in interest-bearing bank borrowings. The further decrease of our gearing ratio as at 31 December 2019 was primarily due to increase in reserves and hence equity, while the interest-bearing bank borrowings remained relatively the same as at 31 December 2019, as compared to 31 December 2018.

Return on equity

Return on equity increased from approximately 45.5% for the year ended 31 December 2016 to approximately 50.6% for the year ended 31 December 2017. The increase was primarily attributable to the increase in net profit for the year ended 31 December 2017. Our return on equity decreased to 41.6% for the year ended 31 December 2018 because increase in the total equity outweighed the increase in profit for the year.

Our return on equity further decreased to 25.5% for the year ended 31 December 2019 primarily due to decrease in net profit in 2019 and increase in equity as at 31 December 2019.

FINANCIAL INFORMATION

Return on assets

Return on assets increased from approximately 6.5% for the year ended 31 December 2016 to approximately 16.3% for the year ended 31 December 2017. The increase was primarily attributable to the increase in net profit in the year ended 31 December 2017. Our return on assets then decreased to approximately 14.3% for the year ended 31 December 2018 because increase in the total assets outweighed the increase in profit for the year.

Our return on assets further decreased to approximately 11.9% for the year ended 31 December 2019 primarily due to decrease in net profit in 2019 and increase in total assets as at 31 December 2019 primarily attributable to increase in cash and cash equivalents as at the relevant year end date.

Interest coverage

Interest coverage increased from approximately 8.1 for the year ended 31 December 2016 to approximately 28.7 for the year ended 31 December 2017. The increase was primarily attributable to increase in profit before tax and interest and decrease in finance cost. Our interest coverage further increased to 34.7 for the year ended 31 December 2018 because of increase in profit before tax and interest and decrease in finance cost. Our interest coverage then decreased to 13.4 primarily due to increase in finance costs with the decrease in net profit for the year ended 31 December 2019.

Net profit margin

Our net profit margin increased from approximately 3.7% for the year ended 31 December 2016 to approximately 4.8% for the year ended 31 December 2017 mainly due to our increase in profit for the year outweigh the increase in our revenue. Our net profit margin remained relatively stable at approximately 4.4% for the year ended 31 December 2018 when compared to the same in 2017.

Our net profit margin then decreased to approximately 3.1% for the year ended 31 December 2019 due to decrease in net profit primarily because of the increase in staff costs under selling and distribution expenses, administrative expenses and R&D expenses as well as increase in Listing expenses and finance costs, notwithstanding the increase in gross profit in our IT infrastructure services and cloud services segments as a result of the increase in revenue in those segments.

QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rate, foreign currency, credit and liquidity.

Details of the risk to which we are exposed to are set out in note 36 of the accountants' report set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for details.

FINANCIAL INFORMATION

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Save for the one-off and non-recurring expenses expected to be incurred in connection with the Listing and the expected decrease in revenue generated from Customer A under the U.S. Ban for the year ending 31 December 2020, our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 31 December 2019, the end of period reported in the accountants' report set out in Appendix I to this prospectus, and there has been no event since 31 December 2019 which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the paragraph headed “Business – Our Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK\$0.25 per Share (being the Offer Price), we estimate that we will receive net proceeds of approximately HK\$74.0 million from the Share Offer after deducting the underwriting commissions, costs and other estimated expenses in the Share Offer, assuming the Over-allotment Option is not exercised.

In line with our business strategies, we intend to use the net proceeds from the Share Offer for the following purposes:

- approximately 33.0% of the net proceeds from the Share Offer, or approximately HK\$24.4 million, will be used by the first half of the year ending 31 December 2022, for expanding our offices and enhancing our service capacity to capture business opportunities in different regions in the PRC, among which, (i) approximately 12.9% of the net proceeds from the Share Offer, or approximately HK\$9.6 million, will be used for expanding our Shenzhen office (which comprises the leasehold improvement cost, rental cost, and hardware and software cost), (ii) approximately 2.7% of the net proceeds from the Share Offer, or approximately HK\$2.0 million, will be used for establishing new branch office in Shanghai (which comprises the leasehold improvement cost, rental cost, and hardware and software cost), (iii) approximately 1.4% of the net proceeds from the Share Offer, or approximately HK\$1.0 million, will be used for establishment of the technical services centres in our Shenzhen and Shanghai offices, and (iv) approximately 16.0% of the net proceeds from the Share Offer, or approximately HK\$11.8 million, will be used for recruitment of additional staff and technicians and enhancement of our training to support the aforesaid office expansion, establishment of the technical services centres, and business growth of our Group. For details of our expansion plan to expand our Shenzhen office and establish new branch office in Shanghai, please refer to the paragraph headed “Business – Expansion Plan” in this prospectus;
- approximately 35.1% of the net proceeds from the Share Offer, or approximately HK\$26.0 million, will be used by the year ending 31 December 2022, for strengthening and developing our R&D and IT services capabilities and further expanding our cloud services, among which (i) approximately 16.6% of the net proceeds from the Share Offer, or approximately HK\$12.3 million, will be used by the year ending 31 December 2022, for enhancing our R&D and IT services capabilities and expanding our cloud services by way of procurement of software, hardware, and cloud services subscription; and (ii) approximately 18.5% of the net proceeds from the Share Offer, or approximately HK\$13.7 million, will be used by the year ending 31 December 2022, for undertaking R&D projects to further strengthen and develop our IT services;
- approximately 16.7% of the net proceeds from the Share Offer, or approximately HK\$12.4 million, will be used by the year ending 31 December 2020, for maintaining fund for performance bond;
- approximately 5.2% of the net proceeds from the Share Offer, or approximately HK\$3.8 million, will be used by the first half of the year ending 31 December 2022, for strengthening our marketing effort and improving our brand recognition by participating in IT industry exhibitions, IT award competitions and organising marketing events;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 10.0% of the net proceeds from the Share Offer, or approximately HK\$7.4 million, will be used for our working capital and general corporate purposes.

In the event that the Over-allotment Option is exercised in full and assuming an Offer Price of HK\$0.25 per Share, we will receive additional net proceeds of approximately HK\$17.8 million. If the Over-allotment Option is exercised in full, we intend to apply such additional net proceeds for the above uses on a pro-rata basis.

To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes or if we are unable to put into effect any part of our development plan as intended, we may hold such funds in short-term deposits so long as it is deemed to be in the best interests of our Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

REASONS FOR LISTING

Our Directors consider that the listing status would further enhance our Group's corporate profile and brand awareness as well as increase our competitiveness. Apart from the net proceeds obtained from the Listing, our Directors are of the view that public listing status on the main board of the Stock Exchange is a complementary advertising for our Group to potential investors and customers, which can enhance our corporate profile and our credibility with the public and potential business partners given a public listed company will have greater transparency, relevant regulatory supervision and stability generally. The listing status will therefore serve to promote our corporate profile and brand awareness. Moreover, we believe that the Listing will further strengthen our internal control and corporate governance practices, which in turn will increase our customers' confidence in our services and thereby attract more potential customers, especially those sizeable and international customers who are more inclined towards engaging a counterpart service provider with proven track record, solid and transparent corporate status and reputation.

According to the Industry Report, the IT services market in the PRC is competitive and fragmented, with over 30,000 participants in the market in 2018. In such a highly competitive industry, our Directors are of the view that the listing status would give us competitive advantage over other non-listed market competitors especially when we are competing for IT services projects from new customers, to whom we have not worked with previously.

FUTURE PLANS AND USE OF PROCEEDS

In addition, given that most of our major suppliers are internationally well-known IT products vendors which generally placed heavier emphasis on the operational and financial transparency as well as regulatory compliance and corporate governance of their business partners, our Directors believe that a listing status on the main board of the Stock Exchange will further complement and strengthen our existing strategic and cooperative relationships with these suppliers, and enable our Group to obtain more resources and support from these suppliers for marketing and selling their IT products and services in the PRC and thereby enable our Group to further increase our market share in the PRC. With the listing status, our Group will also be able to retain our existing employees more effectively, at managerial, operational and administrative levels as well as attracting the relevant talents required. Our employees will also generally feel more stable and secured about their employment with us, hence strengthening their morale at work.

A listing status in Hong Kong could also minimise the need of engaging third party guarantee companies when we apply for bank loans in the future, hence resulting in the decrease in finance cost. In addition, a listing status could generally allow us to obtain bank borrowings at better financing terms as compared to those offered to private companies, and thereby increase the profit margin of our business.

LIMITATIONS OF DEBT FINANCING

Our Group considers that the finance cost by debt financing is relatively high in the PRC and the banks normally require guarantee or pledges of assets from the borrower for securing the bank borrowings. Based on our previous experience and as confirmed by our Directors, our Group could only obtain banking facilities at a normal commercial interest rate of not more than RMB31.5 million based on the assets available to be charged as security or collateral by our Group and/or our Controlling Shareholder, Ms. Ding, as at 31 December 2018.

Furthermore, due to the nature of our IT services business, our Group as an IT service provider generally does not need to invest or own a significant amount of fixed assets (e.g. land and buildings) in order to render our services. As such, our Group does not have sufficient amount of fixed assets that can be charged as security or collateral for the banking facilities required for our business needs. Our business model is generally project based and our operating cash is generally used to finance our daily operation, such as (i) payment to suppliers; (ii) staff cost; (iii) payment for performance bonds/contract deposits; and (iv) purchasing relevant software and hardware for provision of our services. As such, we did not invest in any material fixed assets such as buildings/equipment resulting in greater difficulty for our Group to obtain additional bank borrowings, or negotiate with the banks by way of debt financing to support our business expansion.

Due to the limited fixed assets owned by our Group which can be used as security and the relatively high financing costs for debt financing, our Directors consider that it would not be in the best interest of our Group to use debt financing to finance its expansion plans. Instead, our Directors consider that equity financing by way of Listing will not only be able to reduce our finance costs in a long run, but also enable our Group, as a public listed company after the Listing, to negotiate and obtain bank borrowings at a more commercially favourable terms as compared to those offered to private companies. Further, unlike the position with regard to debt financing, equity financing would not divert capital from our business to repay the loan regardless of the performance of the business. Our Group can therefore retain the flexibility and capability for business development and dividend payment to create greater value for our Shareholders.

UNDERWRITING

HONG KONG PUBLIC OFFERING UNDERWRITERS

Cinda International Capital Limited
All EverGreen Securities Limited
Alpha Financial Group Limited
CIS Securities Asset Management Limited
Hang Sing China Securities Limited
I Win Securities Limited
Mouette Securities Company Limited
Orient Securities Limited
Ruibang Securities Limited
Zinvest Global Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Public Offering Underwriting Agreement

Pursuant to the Hong Kong Public Offering Underwriting Agreement, our Company has agreed to initially offer 50,000,000 new Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms at the Offer Price.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Public Offering Underwriting Agreement, the Hong Kong Public Offering Underwriters have severally, but not jointly, agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Public Offering Shares which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Public Offering Underwriting Agreement. In addition, the Hong Kong Public Offering Underwriting Agreement is conditional on and subject to the International Placing Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

Grounds for termination

The respective obligations of the Hong Kong Public Offering Underwriters to subscribe, or procure subscribers for, the Hong Kong Public Offering Shares under the Hong Kong Public Offering Underwriting Agreement are subject to termination. If any of the events set out below shall occur at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, the Joint Bookrunners (for themselves and on behalf of the Hong Kong Public Offering Underwriters) in their sole and absolute discretion may, by giving a written notice to our Company, the Covenantors and the executive Directors, terminate the Hong Kong Public Offering Underwriting Agreement with immediate effect:

- (i) there develops, occurs, exists or comes into effect:
 - (a) any local, national, regional or international worsening or deteriorating event or circumstances in the nature of force majeure which were not known to the Hong Kong Public Offering Underwriters at the time of entering into the Hong Kong Public Offer Underwriting Agreement (including, without limitation, any acts of government, order of any courts, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions,

UNDERWRITING

- escalation or deteriorating development of other diseases pandemics or epidemics (including, without limitation, novel coronavirus (COVID-19), Severe Acute Respiratory Syndrome, avian influenza A (H5N1), influenza B, Swine Flu (H1N1), Middle East Respiratory Syndrome or such related or mutated forms) or interruption or delay in transportation) that, in the opinion of the Hong Kong Public Offering Underwriters, render performance of their obligations under the Hong Kong Public Offering Underwriting Agreement commercially impossible, non-practicable and infeasible; or
- (b) any change, or development involving a prospective change, or any event or circumstances likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions, equity securities or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting Hong Kong, the PRC, the British Virgin Islands, the Cayman Islands or any other jurisdiction relevant to any member of our Group (the “**Relevant Jurisdictions**”); or
 - (c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange; or
 - (d) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of our Company or of any other member of our Group listed or quoted on a stock exchange or an over-the-counter market; or
 - (e) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in the Relevant Jurisdictions; or
 - (f) any new law or regulation or any change or any development involving a prospective change or any event or circumstances likely to result in a change or a development involving a prospective change in (or in the interpretation, implementation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or
 - (g) the imposition or any change resulting in new economic sanctions or withdrawal of trading privileges, in whatever form, directly or indirectly, by any of the Relevant Jurisdictions, or on any of the Relevant Jurisdictions by the United States of America, European Union (or any member thereof) or the United Nations (or any member thereof) which in the absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Public Offering Underwriters) will have a material adverse impact on the business or financial positions of our Group; or
 - (h) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or RMB against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions where our Group has a presence and relevant to the business of our Group; or

UNDERWRITING

- (i) any litigation or claim of any third party being threatened or instigated against any member of our Group, the executive Directors or the Controlling Shareholders; or
- (j) any change or development involving a prospective material change or materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (k) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (l) the chairman of the Board or chief executive officer of our Company vacating his or her office; or
- (m) an authority or a political body or organisation in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (n) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or all applicable laws, rules, regulations, orders, judgements, decrees, guidelines, opinions, notices, circulars or rulings of any court, any public, regulatory, taxing, administrative or governmental, agency or authority (including, without limitation, the Stock Exchange and the SFC), other authority and any court at the national, provincial, municipal or local level; or
- (o) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares pursuant to the terms of the Share Offer; or
- (p) non-compliance with the Listing Rules or any other applicable laws by our Company in connection with the Share Offer; or
- (q) other than with the approval of the Sole Sponsor or the Joint Bookrunners, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (r) any order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group;

which, individually or in the aggregate, in the sole opinion of the Joint Bookrunners (1) has or will have or may have a material adverse effect on the operation, trading and financial aspects of our Group as a whole; or (2) has or will have or may have an adverse effect on the success of the Share Offer or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or (3) makes or will make or is likely to make it inappropriate or inadvisable or inexpedient or impracticable for the Share Offer to proceed or to market the Share Offer; or (4) has or will or may have the effect of making any part of the Hong Kong Public Offering Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms pursuant to the Share Offer or pursuant to the underwriting under the Hong Kong Public Offering Underwriting Agreement; or

UNDERWRITING

- (ii) there has come to the notice of the Joint Bookrunners:
- (a) that any statement contained in this prospectus, the Application Forms and the formal notice issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respects, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and the formal notice issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or
 - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission in any material respects from any of this prospectus, the Application Forms and the formal notice issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
 - (c) any material breach of any of the obligations imposed upon any party to the Hong Kong Public Offering Underwriting Agreement or the International Placing Underwriting Agreement (other than upon any of the Sole Sponsor, the Joint Bookrunner(s), the Joint Lead Manager(s), the Hong Kong Public Offering Underwriter(s) or the International Placing Underwriter(s)); or
 - (d) any event, act or omission which gives or is likely to give rise to any liability in any material respects of any indemnifying parties under the Hong Kong Public Offering Underwriting Agreement; or
 - (e) any material adverse change, or any development involving a prospective adverse change, in the operation, trading and financial aspects of our Group taken as a whole; or
 - (f) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings of our Company, the Controlling Shareholders and the executive Directors under the Hong Kong Public Offering Underwriting Agreement; or
 - (g) the approval by the Listing Division of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer is refused or not granted, other than subject to customary conditions, on or before the date of the Listing or such other date as may be extended by the Joint Bookrunners under the Hong Kong Public Offering Underwriting Agreement, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (h) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer; or
 - (i) any person (other than the Sole Sponsor, the Joint Bookrunner(s) and the Hong Kong Public Offering Underwriter(s)) has withdrawn or sought to withdraw its consent to being named in this prospectus as expert or to the issue of this prospectus.

UNDERWRITING

Indemnity

Our Company has agreed to indemnify the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers and the Hong Kong Public Offering Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Public Offering Underwriting Agreement and any breach by us of the Hong Kong Public Offering Underwriting Agreement.

Undertakings to the Hong Kong Public Offering Underwriters

Undertakings by our Company

Our Company has, irrevocably and unconditionally, undertaken to each of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Hong Kong Public Offering Underwriters) that:

- (a) at any time from the date of the Hong Kong Public Offering Underwriting Agreement until the expiry of six months from the Listing Date (the “**First Six-Month Period**”), our Company shall not, and shall procure that each other member of our Group shall not, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Public Offering Underwriters) and unless in compliance with the requirements of the Listing Rules:
 - (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to sell, grant or agree to grant any option, warrants or other rights to purchase or subscribe for, make short sale, lend or otherwise transfer or dispose of, either directly or indirectly, any of our Company’s share capital, debt capital or any securities of our Group or any interest therein (including but not limited to any warrants and securities which are convertible into or exchangeable or exercisable for or represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of share capital, debt capital, any other equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares); or
 - (iii) enter into any transaction with the same economic effect as any transaction described in paragraph (i) or (ii) above; or
 - (iv) agree, or contract to, or announce any intention to enter into any transaction described in paragraph (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or such other equity securities of our Company, in cash or otherwise (whether or not the issue of the Shares or such other securities will be completed within the aforesaid period), provided that the foregoing restrictions shall not apply to the issue of Shares by our Company pursuant to the Reorganisation, the Capitalisation Issue and the Share Offer (including pursuant to the exercise of the Over-allotment Option or any options to be granted under the Share Option Scheme); and

UNDERWRITING

- (b) in the event that, during the period of six months immediately following the expiry of the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company enters into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that any such transaction, agreement or, as the case may be, announcement will not create a disorderly or false market for any Shares or other securities of our Company.

Undertakings to the Stock Exchange

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue by our Company within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain circumstances permitted by Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have, irrevocably and unconditionally, undertaken to the Stock Exchange and our Company that, save as permitted under the Listing Rules and except pursuant to the Share Offer and exercise of the Over-allotment Option, he/she/it shall not, and shall procure that the relevant registered holder(s) shall not:

- (a) at any time during the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner(s); and
- (b) at any time during the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be our Controlling Shareholder (as defined in the Listing Rules) or would together with the other Controlling Shareholders cease to be, or regarded as, a group of controlling shareholders (as defined in the Listing Rules) of our Company.

Our Controlling Shareholders have further undertaken to the Stock Exchange and our Company that, within a period commencing from the date on which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

- (a) when he/she/it pledges or charges any of the Shares or securities of our Company beneficially owned by him/her/it, whether directly or indirectly, in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares or securities of our Company so pledged or charged; and
- (b) if he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of, immediately inform our Company of such indications.

UNDERWRITING

International Placing

In connection with the International Placing, it is expected that our Company will enter into the International Placing Underwriting Agreement with the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers and the International Placing Underwriters, on terms and conditions that are substantially similar to the Hong Kong Public Offering Underwriting Agreement as described above and on the additional terms described below.

Under the International Placing Underwriting Agreement, subject to the conditions set out therein, the International Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers for the International Placing Shares initially being offered pursuant to the International Placing (excluding, for the avoidance of doubt, the Offer Shares which are subject to the Over-allotment Option). The International Placing Underwriting Agreement may be terminated on similar grounds as the Hong Kong Public Offering Underwriting Agreement. Potential investors shall be reminded that in the event that the International Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

The International Placing Underwriting Agreement is conditional on and subject to the Hong Kong Public Offering Underwriting Agreement having been executed, becoming unconditional and not having been terminated. Pursuant to the International Placing Underwriting Agreement, our Company will make similar undertakings as those given pursuant to the Hong Kong Public Offering Underwriting Agreement as described in the paragraph headed “Undertakings to the Hong Kong Public Offering Underwriters – Undertakings by our Company” in this section.

Commission and Expenses

The Hong Kong Public Offering Underwriters will, and the International Placing Underwriters are expected to, receive a commission of 16% of the aggregate Offer Price payable for the Offer Shares underwritten by them, out of which they shall pay any sub-underwriting commissions. The amount of underwriting commission is estimated to be approximately HK\$20.0 million.

The underwriting commission, documentation and advisory fee, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Share Offer, assuming an Offer Price of HK\$0.25, are estimated to amount to approximately HK\$51.0 million in total, and are payable by our Company.

JOINT BOOKRUNNERS’ AND UNDERWRITERS’ INTEREST IN OUR COMPANY

The Joint Bookrunners and the other Underwriters will receive underwriting commissions. Particulars of these underwriting commissions and expenses are set out under the paragraph headed “Underwriting Arrangements and Expenses – Commission and Expenses” in this section.

We have appointed Cinda International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of the despatch of our annual report for the first full financial year commencing after the Listing Date.

UNDERWRITING

Save as disclosed above, none of the Joint Bookrunners or the Underwriters is interested legally or beneficially in shares of any members of our Group 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 members of our Group nor any interest in the Share Offer.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

OVERVIEW

This prospectus is published in connection with the Hong Kong Public Offering. The Share Offer consists of (subject to reallocation and the Over-allotment Option):

- (i) the Hong Kong Public Offering of 50,000,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described below in the paragraph headed “The Hong Kong Public Offering” in this section;
- (ii) the International Placing of 450,000,000 Shares outside the United States in reliance on Regulation S.

Investors may apply for the Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Shares under the International Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for Hong Kong Public Offering Shares in the Hong Kong Public Offering. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong.

The International Placing will involve selective marketing of the Shares to institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the International Placing. Prospective investors will be required to specify the number of the Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Shares to be offered under the Hong Kong Public Offering and the International Placing respectively may be subject to re-allocation and Over-allotment Option as described in the paragraph headed “Pricing and Allocation” in this section. The Hong Kong Public Offering is fully underwritten by the Hong Kong Public Offering Underwriters under the terms of the Hong Kong Public Offering Underwriting Agreement and is subject to our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. Our Company expects to enter into the International Placing Underwriting Agreement relating to the International Placing on or about Tuesday, 5 May 2020. Details of the underwriting arrangements are summarised in the section headed “Underwriting” in this prospectus.

PRICING AND ALLOCATION

The Offer Price is fixed at HK\$0.25 per Offer Share, unless otherwise announced.

The Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be re-allocated as between these offerings at the discretion of the Joint Bookrunners.

Allocation of the Shares pursuant to the International Placing will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the Listing. Such allocation may be made to professional, institutional and retail or corporate investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and the Shareholders as a whole.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offering Shares validly applied for by applicants, and may consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offering Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offering Shares.

The level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Placing, and the basis of allocations of the Hong Kong Public Offering Shares are expected to be announced on Tuesday, 12 May 2020 through a variety of channels as described in the paragraph headed “How to Apply for Hong Kong Public Offering Shares – 11. Publication of Results” in this prospectus.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Share Offer, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilising transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Short sales involve the sale by the Stabilising Manager of a greater number of Shares than the Underwriters are required to purchase in the Share Offer. Covered short sales are short sales made in an amount not greater than the Over-allotment Option and a covered short position is any short position, including any such position created as a result of any covered short sales or other sales, in an amount not greater than the Over-allotment Option. The Stabilising Manager may close out any covered short position by exercising the Over-allotment Option to purchase additional Shares in consultation with the Joint Bookrunners, purchasing Shares in the open market or through stock borrowing arrangements or a combination of these means.

In determining the source of the Shares to close out the covered short position, the Stabilising Manager will consider, among other things, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilising transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Share Offer is in progress. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over the counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which, if commenced, will be done at the absolute discretion of the Stabilising Manager in consultation with the Joint Bookrunners and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering.

The number of the Shares that may be over-allocated will not exceed the number of the Shares that may be sold under the Over-allotment Option, namely 75,000,000 Shares, which is approximately 15% of the Shares initially available under the Share Offer. Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Stabilising actions by the Stabilising Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager or any person acting for it may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager which may also take place during the stabilisation period, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the Stabilising period, which will begin on the Listing Date and is expected to expire on Friday, 29 May 2020, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilising period.

THE STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the International Placing, the Stabilising Manager or any person acting for it may choose to borrow Shares from Aztec Pearl pursuant to the Stock Borrowing Agreement (being the maximum number of Share which may be issued upon exercise of the Over-allotment Option), or acquire Shares from other sources, including the exercising the Over-allotment Option. The loan of Shares by Aztec Pearl pursuant to the Stock Borrowing Agreement shall not be subject to the restrictions under Rule 10.07(1)(a) of the Listing Rules which restricts the disposal of Shares by the controlling shareholder following the Listing, on the basis that such arrangement will be on the terms that:

- (i) they will only be used for settlement of over-allocations in the International Placing;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (ii) the maximum number of Shares to be borrowed from Aztec Pearl will be limited to the maximum number of Shares which may be allotted and issued by our Company upon exercise of the Over-allotment Option, which is limited to 75,000,000 Shares (equivalent to approximately 15% of the Shares initially available under the Share Offer);
- (iii) the same number of Shares so borrowed must be returned to Aztec Pearl no later than three business days following the earlier of (a) the last date on which the Over-allotment Option can be exercised, (b) the day on which the Over-allotment Option is exercised in full, and (c) such earlier time as may be agreed in writing between Aztec Pearl and the Stabilising Manager;
- (iv) borrowing of shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable laws and regulatory requirements; and
- (v) no payment will be made to Aztec Pearl in relation to the Stock Borrowing Agreement.

If the Stock Borrowing Agreement is entered into, it will only be effected by the Stabilising Manager or its agents for settlement of over-allocation in the International Placing.

CONDITIONS OF THE SHARE OFFER

Acceptance of any application for the Offer Shares pursuant to the Share Offer will be conditional on:

- the Listing Committee of the Stock Exchange granting listing of, and permission to deal in the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue and the Shares to be issued pursuant to the Share Offer (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- the execution and delivery of the International Placing Underwriting Agreement on or around Tuesday, 5 May 2020; and
- the obligations of the Underwriters under both the Hong Kong Public Offering Underwriting Agreement and the International Placing Underwriting Agreement having become and remaining unconditional and such obligations not being terminated in accordance with the terms of the respective Underwriting Agreements, in each case on or before the dates and times specified in the respective agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Our Company will cause notice of the lapse of the Hong Kong Public Offering to be published by our Company on the website of the Stock Exchange at www.hkexnews.hk and on our Company's website at www.edensoft.com.cn on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the paragraph headed "How to Apply for Hong Kong Public Offering Shares – 11. Publication of Results" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance, Chapter 155 of the Laws of Hong Kong, as amended.

Share certificates for the Offer Shares are expected to be despatched on Tuesday, 12 May 2020 but will only become valid certificates of title at 8.00 a.m. on the date of commencement of the dealings in the Shares, which is expected to be on Wednesday, 13 May 2020, if (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the paragraph headed "Underwriting – Grounds for Termination" in this prospectus has not been exercised.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

Our Company is initially offering 50,000,000 Shares at the Offer Price, representing 10% of the 500,000,000 Offer Shares initially available under the Share Offer, for subscription by the Public in Hong Kong. Subject to the re-allocation of Offer Shares between (i) the International Placing and (ii) the Hong Kong Public Offering, the number of Shares initially offered under the Hong Kong Public Offering will represent approximately 2.5% of the enlarged issued share capital immediately after completion of the Share Offer, assuming that the Over-allotment Option is not exercised. In Hong Kong, individual retail investors are expected to apply for Hong Kong Public Offering Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Offer Shares in the International Placing will not be allotted Offer Shares in the International Placing. The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering. The Offer Price is fixed at HK\$0.25.

Applicants under the Hong Kong Public Offering are required to pay, on application, the Offer Price of HK\$0.25 per Share plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. Further details are set out in the paragraph headed "How to Apply for Hong Kong Public Offering Shares – 11. Publication of Results" in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation

The allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offering Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offering Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offering Shares.

For allocation purposes only, the Hong Kong Public Offering Shares (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Placing) will be divided equally into two pools: Pool A and Pool B, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Public Offering Shares with a total subscription amount (excluding brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Public Offering Shares with a total subscription amount (excluding brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Public Offering Shares in one pool (but not both pools) are under subscribed, the surplus Hong Kong Public Offering Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Public Offering Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 25,000,000 Hong Kong Public Offering Shares being 50% of the initial number of Hong Kong Public Offering Shares are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Placing, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

Reallocation and Clawback

The allocation of Offer Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation on the following basis:

Where the International Placing Shares are fully subscribed or oversubscribed:

- (i) if the Hong Kong Public Offering Shares are not fully subscribed, the Joint Bookrunners (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Hong Kong Public Offering Shares to the International Placing in such amount as the Joint Bookrunners (for themselves and on behalf of the Underwriters) deems appropriate;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of Offer Shares initially available under the Hong Kong Public Offering, then 100,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 150,000,000, representing 30% of the Offer Shares initially available under the Share Offer;
- (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of Offer Shares initially available under the Hong Kong Public Offering, then 150,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 200,000,000, representing 40% of the Offer Shares initially available under the Share Offer; and
- (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, then 200,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 250,000,000, representing 50% of the Offer Shares initially available under the Share Offer.

In each of the case set out in paragraphs (ii), (iii) and (iv) above, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B equally and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Joint Bookrunners deem appropriate.

Subject to the aforementioned reallocation and clawback, the Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

Where both the International Placing Shares and the Hong Kong Public Offering Shares are not fully subscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure purchasers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing will be disclosed in the allotment results announcement of the Share Offer, which is expected to be published on Tuesday, 12 May 2020.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

Applicants under the Hong Kong Public Offering are required to pay, on application, the fixed price of HK\$0.25 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL PLACING

Number of Offer Shares offered

The number of Shares to be initially offered under the International Placing will be 450,000,000 Shares, representing approximately 90% of the Offer Shares under the Share Offer (subject to adjustment and the Over-allotment Option). The International Placing is subject to the Hong Kong Public Offering becoming unconditional.

Allocation

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the book-building process and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Reallocation

The total number of Offer Shares to be issued pursuant to the International Placing may change as a result of the clawback arrangement described in “The Hong Kong Public Offering – Reallocation and Clawback” in this section, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering to the International Placing.

Over-allotment Option

Our Company expects to grant the Over-allotment Option to the International Placing Underwriters, exercisable by the Joint Bookrunners at their sole and absolute discretion on behalf of the International Placing Underwriters at any time from the Listing Date until the date which is the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Joint Bookrunners will have the right to require our Company to allot and issue up to 75,000,000 additional Shares representing approximately 15% of the initial number of Offer Shares to cover, *inter alia*, over-allocations in the International Placing, if any. The Joint Bookrunners may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangements from holders of Shares or exercise of the Over-allotment Option or by a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations. An announcement will be made in the event that the Over-allotment Option is exercised.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering and the International Placing become unconditional at 8:00 a.m. in Hong Kong on Wednesday, 13 May 2020, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 13 May 2020. The Shares will be traded in board lots of 10,000 Shares.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Public Offering Underwriters under the terms of the Hong Kong Public Offering Underwriting Agreement.

Our Company expects shortly or about Tuesday, 5 May 2020, to enter into the International Placing Underwriting Agreement relating to the International Placing. Underwriting arrangements, the Hong Kong Public Offering Underwriting Agreement and the International Placing Underwriting Agreement are summarised in the section headed “Underwriting” in this prospectus.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

1. HOW TO APPLY

If you apply for Hong Kong Public Offering Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Public Offering Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk or the IPO App; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offering Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Bookrunners may accept it at its sole discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Public Offering Shares.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offering Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; or
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG PUBLIC OFFERING SHARES

(a) Which application channel to use

For Hong Kong Public Offering Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk or the IPO App.

For Hong Kong Public Offering Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

(b) Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. (in respect of (1) below) or 10:00 a.m. (in respect of (2) below) on Thursday, 23 April 2020 until 12:00 noon on Wednesday, 29 April 2020 from:

- (1) any of the following offices of the Hong Kong Public Offering Underwriters:

Cinda International Capital Limited

45th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong

All EverGreen Securities Limited

Unit 7, 11th Floor, Emperor Group Centre, 288 Hennessy Road, Wan Chai, Hong Kong

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

Alpha Financial Group Limited

Room A, 17th Floor, Fortune House, 61 Connaught Road Central, Central, Hong Kong

CIS Securities Asset Management Limited

21st Floor, Centre Point, 181-185 Gloucester Road, Wanchai, Hong Kong

Hang Sing China Securities Limited

Flat/Room C & D, 12th Floor, Hang Seng Tsuen Wan Building, 289 Sha Tsui Road, Tsuen Wan, N.T., Hong Kong

I Win Securities Limited

Room 1916, Hong Kong Plaza, 188 Connaught Road West, Sai Wan, Hong Kong

Mouette Securities Company Limited

Room 1301, 13th Floor, Tung Wai Commercial Building, 109-111 Gloucester Road, Wanchai, Hong Kong

Orient Securities Limited

Room 3101, 31st Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong

Ruibang Securities Limited

9th Floor, Sang Woo Building, 227-228 Gloucester Road, Wanchai, Hong Kong

Zinvest Global Limited

Room 1702B, 17th Floor, Lippo Center Tower 2, 89 Queensway, Hong Kong

- (2) any of the following branches of DBS Bank (Hong Kong) Limited:

District	Branch Name	Address
Hong Kong Island	Head Office	G/F, The Center, 99 Queen's Road Central, Central
	North Point Branch	G/F, 391 King's Road, North Point
Kowloon	Yaumatei Branch	G/F & 1/F, 131-137 Woo Sung Street, Yau Ma Tei
New Territories	Tuen Mun Town Plaza – SME Banking Centre	Shop 23, G/F, Tuen Mun Town Plaza (II), 3 Tuen Lung Street, Tuen Mun

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 23 April 2020 until 12:00 noon on Wednesday, 29 April 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

(c) Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "Ting Hong Nominees Limited – Edensoft Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Thursday, 23 April 2020	:	10:00 a.m. to 4:00 p.m.
Friday, 24 April 2020	:	10:00 a.m. to 4:00 p.m.
Monday, 27 April 2020	:	10:00 a.m. to 4:00 p.m.
Tuesday, 28 April 2020	:	10:00 a.m. to 4:00 p.m.
Wednesday, 29 April 2020	:	10:00 a.m. to 12:00 noon

To safeguard the health and safety of its employees and customers in light of the rapidly changing novel coronavirus situation in Hong Kong, the receiving bank referred to above may adjust its branch services (including branch operation hours) from time to time. For the latest arrangement on branch services, please refer to the DBS website at <https://www.dbs.com.hk/personal/default.page>.

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 29 April 2020, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

The application for the Offer Shares will commence on Thursday, 23 April 2020 through Wednesday, 29 April 2020. Such time period is longer than the normal market practice of three and a half days. The application monies (including brokerage fees, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Tuesday, 12 May 2020. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Wednesday, 13 May 2020.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offering Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank(s), the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offering Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offering Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Public Offering Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Public Offering Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers and the Hong Kong Public Offering Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offering Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for **YELLOW** Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

(a) General

Individuals who meet the criteria in the paragraph headed “2. Who Can Apply” in this section, may apply through the **HK eIPO White Form** service for the Hong Kong Public Offering Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk or the IPO App.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website or the IPO App. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website or the IPO App, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

(b) Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** service at www.hkeipo.hk or the IPO App (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, 23 April 2020 until 11:30 a.m. on Wednesday, 29 April 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 29 April 2020 or such later time under the subsection headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

(c) No Multiple Applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instructions** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Public Offering Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

(d) Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

(a) General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offering Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the general rules of CCASS and the CCASS operational procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offering Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers and our Hong Kong Branch Share Registrar.

(b) Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offering Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Public Offering Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Public Offering Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Co-Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offering Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Public Offering Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offering Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Public Offering Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

(c) Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for Hong Kong Public Offering Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

(d) Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Hong Kong Public Offering Shares. Instructions for more than 10,000 Hong Kong Public Offering Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offering Shares will be considered and any such application is liable to be rejected.

(e) Time for Inputting Electronic Application Instructions^(Note)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, 23 April 2020	:	9:00 a.m. to 8:30 p.m.
Friday, 24 April 2020	:	8:00 a.m. to 8:30 p.m.
Monday, 27 April 2020	:	8:00 a.m. to 8:30 p.m.
Tuesday, 28 April 2020	:	8:00 a.m. to 8:30 p.m.
Wednesday, 29 April 2020	:	8:00 a.m. to 12:00 noon

Note:

The times in the sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

The application for the Offer Shares will commence on Thursday, 23 April 2020 through Wednesday, 29 April 2020. Such time period is longer than the normal market practice of three and a half days. The application monies (including brokerage fees, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Tuesday, 12 May 2020. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Wednesday, 13 May 2020.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 23 April 2020 until 12:00 noon on Wednesday, 29 April 2020 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 29 April 2020, the last application day or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

(f) No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offering Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offering Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offering Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

(g) Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

(h) Personal Data

The section of the Application Form “Personal Data” applies to any personal data held by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Hong Kong Branch Share Registrar, the receiving banker, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of Hong Kong Public Offering Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offering Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Public Offering Shares.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 29 April 2020.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for Hong Kong Public Offering Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFERING SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Hong Kong Public Offering Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 10,000 Hong Kong Public Offering Shares. Each application or **electronic application instruction** in respect of more than 10,000 Hong Kong Public Offering Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk or in the IPO App.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the paragraph headed “Structure and Conditions of the Share Offer – Pricing and Allocation” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;
- Extreme Condition; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 29 April 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 29 April 2020 or if there is a tropical cyclone warning signal number 8 or above, Extreme Condition or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offering Shares on Tuesday, 12 May 2020 on our Company’s website at www.edensoft.com.cn and the website of the Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.edensoft.com.cn and the Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m. on Tuesday, 12 May 2020;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result and www.hkeipo.hk/IPOResult or the "Allotment Result" in the IPO App with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, 12 May 2020 to 12:00 midnight on Monday, 18 May 2020;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 12 May 2020 to Friday, 15 May 2020;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 12 May 2020 to Thursday, 14 May 2020 at the designated receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offering Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Public Offering Shares will not be allotted to you:

(a) If your application is revoked

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of Hong Kong Public Offering Shares is void:

The allotment of Hong Kong Public Offering Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offering Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website or in the IPO App;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offering Shares initially offered under the Hong Kong Public Offering.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering set out in the paragraph headed “Structure and Conditions of the Share Offer – Conditions of the Hong Kong Public Offering” in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the check or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 12 May 2020.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offering Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Public Offering Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for all or the surplus application monies for the Hong Kong Public Offering Shares, wholly or partially unsuccessfully applied for. Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on Tuesday, 12 May 2020. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of check(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 13 May 2020 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

Personal Collection

(a) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offering Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 May 2020 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop.

Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offering Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 12 May 2020, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offering Shares or more, please follow the same instructions as described above for the collection of refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Public Offering Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 12 May 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 12 May 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Public Offering Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering Shares allotted to you with that CCASS Participant.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

- *If you apply as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph headed "11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 12 May 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offering Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(c) *If you apply through the HK eIPO White Form Service*

If you apply for 1,000,000 Hong Kong Public Offering Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 May 2020, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates, e-Auto Refund payment instructions or refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offering Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, 12 May 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(d) *If you apply via Electronic Application Instructions to HKSCC*

Allocation of Hong Kong Public Offering Shares

For the purposes of allocating Hong Kong Public Offering Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 12 May 2020, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed “11. Publication of Results” above on Tuesday, 12 May 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 12 May 2020 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offering Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offering Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Tuesday, 12 May 2020. Immediately following the credit of the Hong Kong Public Offering Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offering Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 12 May 2020.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

The Directors

Edensoft Holdings Limited
Cinda International Capital Limited

Dear Sirs,

We report on the historical financial information of Edensoft Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-1 to I-69, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2016, 2017, 2018 and 2019 (the "Relevant Periods"), the consolidated statements of financial position of the Group as at 31 December 2016, 2017, 2018 and 2019, the statements of financial position of the Company as at 31 December 2018 and 31 December 2019, and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-1 to I-69 forms an integral part of this report, which has been prepared for inclusion in the Prospectus of the Company dated 23 April 2020 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2 and 3 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2 and 3 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2016, 2017, 2018 and 2019, of the financial position of the Company as at 31 December 2018 and 2019, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2 and 3 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 14 to the Historical Financial Information which contains information about the dividends paid in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,
Certified Public Accountants
Hong Kong
23 April 2020

I. HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young, Hong Kong in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Chinese Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			
	Note	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000
REVENUE	8	327,293	468,439	612,092	791,888
Cost of sales		(289,437)	(409,980)	(535,548)	(708,686)
Gross profit		37,856	58,459	76,544	83,202
Other income and gains	8	2,127	2,217	2,547	3,886
Selling and distribution expense		(9,909)	(10,464)	(11,150)	(13,886)
Administrative expense		(10,630)	(11,790)	(16,222)	(22,106)
Research and development expense		(3,824)	(10,589)	(18,482)	(19,279)
Other expense		(9)	(969)	(360)	(128)
Reversal/(recognition) of impairment losses on financial and contract assets		139	79	(282)	(420)
Finance costs	10	(1,953)	(938)	(940)	(2,323)
Share of losses of an associate		—	—	—	(72)
PROFIT BEFORE TAX	9	13,797	26,005	31,655	28,874
Income tax expense	13	(1,786)	(3,732)	(4,525)	(4,326)
PROFIT FOR THE YEAR		12,011	22,273	27,130	24,548
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on currency translation		—	—	(1)	9
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:					
Exchange differences on currency translation		—	—	(226)	313
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		—	—	(227)	322
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		12,011	22,273	26,903	24,870
Profit attributable to:					
Owners of the parent		11,915	22,371	27,130	24,548
Non-controlling interests		96	(98)	—	—
		12,011	22,273	27,130	24,548
Total comprehensive income attributable to:					
Owners of the parent		11,915	22,371	26,903	24,870
Non-controlling interests		96	(98)	—	—
		12,011	22,273	26,903	24,870

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

			As at 31 December		
		2016	2017	2018	2019
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	16	1,521	1,021	689	1,369
Right of use assets	17	8,287	6,607	11,181	8,083
Investment in an associate	18	–	1,500	1,500	1,128
Deferred tax assets	29	114	110	112	239
Total non-current assets		9,922	9,238	13,482	10,819
CURRENT ASSETS					
Inventories	19	24,363	33,772	44,709	38,228
Trade and bills receivables	20	66,736	57,574	93,524	101,236
Prepayments, deposits and other receivables	21	13,555	5,783	5,043	8,340
Contract assets	22	6,273	6,364	8,791	14,609
Financial assets at fair value through profit or loss	23	3,000	100	–	–
Pledged deposits	24	16,340	9,877	9,561	9,376
Cash and cash equivalents	24	43,429	13,997	14,022	23,892
Total current assets		173,696	127,467	175,650	195,681
CURRENT LIABILITIES					
Trade payables	25	83,422	61,746	92,424	82,397
Other payables and accruals	26	5,000	6,921	9,065	7,515
Contract liabilities	27	2,685	6,812	4,668	5,257
Interest-bearing bank borrowings	28	59,621	11,605	5,951	5,652
Lease liabilities	17	1,493	1,213	2,871	3,213
Tax payable		268	2,226	3,939	3,975
Total current liabilities		152,489	90,523	118,918	108,009
NET CURRENT ASSETS		21,207	36,944	56,732	87,672
TOTAL ASSETS LESS CURRENT LIABILITIES		31,129	46,182	70,214	98,491
NON-CURRENT LIABILITIES					
Lease liabilities	17	3,119	1,973	5,056	2,230
Net assets		28,010	44,209	65,158	96,261
EQUITY					
Equity attributable to owners of the parent					
Share capital	30	–	–*	–*	–*
Reserves	31	26,178	44,209	65,158	96,261
Non-controlling interests		1,832	–	–	–
Total equity		28,010	44,209	65,158	96,261

* The amount is less than RMB500.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent							Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (note 30)	Other capital reserve RMB'000	Share premium reserve RMB'000	Statutory surplus reserve RMB'000 (note 31(ii))	Merge reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	
At 1 January 2016	-	(963)	-	581	13,193	-	1,581	14,392	15,423
Profit for the year	-	-	-	-	-	-	11,915	11,915	12,011
Total comprehensive income for the year	-	-	-	-	-	-	11,915	11,915	12,011
Disposal of partial interests in a subsidiary without losing control	-	(129)	-	-	-	-	-	(129)	-*
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	576
Transfer from retained profits	-	-	-	948	-	-	(948)	-	-
At 31 December 2016 and 1 January 2017	-	(1,092) [#]	- [#]	1,529 [#]	13,193 [#]	- [#]	12,548 [#]	26,178	28,010
Profit/(loss) for the year	-	-	-	-	-	-	22,371	22,371	22,273
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	22,371	22,371	22,273
Acquisition of non-controlling interests	-	(60)	-	-	-	-	-	(60)	(237)
Disposal of subsidiaries (note 33)	-	-	-	-	-	-	-	-	(1,557)
Dividends declared by a subsidiary to its then shareholders (note 14)	-	-	-	-	-	-	(4,280)	(4,280)	(4,280)
Transfer from retained profits	-	-	-	2,027	-	-	(2,027)	-	-
At 31 December 2017	-	(1,152) [#]	- [#]	3,556 [#]	13,193 [#]	- [#]	28,612 [#]	44,209	44,209
Effect of adoption of HKFRS 9, net of tax	-	-	-	-	-	-	(196)	(196)	(196)
At 1 January 2018 (restated)	-	(1,152)	-	3,556	13,193	-	28,416	44,013	44,013
Profit for the year	-	-	-	-	-	-	27,130	27,130	27,130
Other comprehensive loss for the year:									
Exchange differences on currency translation	-	-	-	-	-	(227)	-	(227)	(227)
Total comprehensive income/(loss) for the year	-	-	-	-	-	(227)	27,130	26,903	26,903
Dividends declared by a subsidiary to its then shareholders (note 14)	-	-	-	-	17,152	-	(30,015)	(12,863)	(12,863)
Issue of shares of the Company	-*	-	7,105	-	-	-	-	7,105	7,105
Transfer from retained profits	-	-	-	3,074	-	-	(3,074)	-	-
At 31 December 2018	-*	(1,152) [#]	7,105 [#]	6,630 [#]	30,345 [#]	(227) [#]	22,457 [#]	65,158	65,158
	Attributable to owners of the parent							Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (note 30)	Other capital reserve RMB'000	Share premium reserve RMB'000	Statutory surplus reserve RMB'000 (note 31(ii))	Merge reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	
At 31 December 2018 and 1 January 2019	-*	(1,152) [#]	7,105 [#]	6,630 [#]	30,345 [#]	(227) [#]	22,457 [#]	65,158	65,158
Profit for the year	-	-	-	-	-	-	24,548	24,548	24,548
Other comprehensive loss for the year:									
Exchange differences on currency translation	-	-	-	-	-	322	-	322	322
Total comprehensive income/(loss) for the year	-	-	-	-	-	322	24,548	24,870	24,870
Issue of shares of the Company	-	-	7,701	-	-	-	-	7,701	7,701
Business Combination under common control	-	-	-	-	(1,468)	-	-	(1,468)	(1,468)
Transfer from retained profits	-	-	-	3,116	-	-	(3,116)	-	-
At 31 December 2019	-*	(1,152) [#]	14,806	9,746 [#]	28,877 [#]	95 [#]	43,889 [#]	96,261	96,261

* The amount is less than RMB500.

[#] As at 31 December 2016, 2017, 2018 and 2019, these reserve accounts comprise the consolidated reserves of RMB26,178,000, RMB44,209,000, RMB65,158,000 and RMB96,261,000 respectively, in the consolidated statements of financial position.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			
		2016	2017	2018	2019
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		13,797	26,005	31,655	28,874
Adjustments for:					
Depreciation of property, plant and equipment	16	556	511	393	495
Depreciation of right-of-use assets	17	1,538	1,533	1,287	3,327
Gain on financial assets at fair value through profit or loss	8	(88)	(319)	(646)	(556)
Gain on disposal of property, plant and equipment	8	–	–	–	(15)
Loss on disposal of subsidiaries	9	–	961	–	–
Share of losses of an associate	9	–	–	–	72
Deferred income of government grants	8	(214)	–	–	–
Bank interest income	8	(101)	(185)	(136)	(186)
(Reversal)/recognition of impairment losses on financial and contract assets		(139)	(79)	282	420
Finance costs	10	1,953	938	940	2,323
		17,302	29,365	33,775	34,754
(Increase)/decrease in inventories		(24,040)	(9,906)	(10,937)	6,481
(Increase)/decrease in trade and bills receivables		(5,867)	7,384	(36,417)	(8,073)
(Increase)/decrease in prepayments, deposits and other receivables		4,124	6,097	740	(3,297)
Increase in contract assets		(6,273)	(91)	(2,471)	(5,877)
Increase/(decrease) in trade payables		12,051	(15,134)	30,678	(10,027)
Increase in other payables and accruals		2,635	1,705	2,151	(62)
Increase/(decrease) in contract liabilities		1,354	4,127	(2,144)	589
Cash generated from operations		1,286	23,547	15,375	14,488
Income tax paid		(2,188)	(1,770)	(2,781)	(4,417)
Net cash flows from/(used in) operating activities		(902)	21,777	12,594	10,071
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment		(401)	(46)	(61)	(1,197)
Purchases of financial assets at fair value through profit or loss		–	(800)	–	–
Proceeds from disposal of items of property, plant and equipment		28	–	–	49
Proceeds from financial assets at fair value through profit or loss		888	319	746	556
Consideration paid for acquisition of subsidiaries under common control		–	–	–	(1,468)
Cost of investment in an associate		–	–	–	(1,200)
Interest received	8	101	185	136	186
Disposal of subsidiaries	32	–	(2,561)	–	–
Decrease in pledged deposits		(13,216)	6,463	316	185
Net cash flows from/(used in) investing activities		(12,600)	3,560	1,137	(2,889)

		Year ended 31 December			
	Notes	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares of the Company		–	–	7,105	7,701
Capital contribution from non-controlling interests of a subsidiary		576	–	–	–
Dividends paid to then shareholders of a subsidiary		–	(4,280)	(12,863)	–
Acquisition of non-controlling interests		–	(237)	–	–
New bank loans	33	152,271	17,558	34,898	105,433
Repayment of bank loans	33	(118,595)	(65,574)	(40,552)	(105,732)
Principal payments of lease liabilities	17	(2,588)	(1,453)	(1,245)	(3,043)
Interest paid		<u>(1,669)</u>	<u>(783)</u>	<u>(822)</u>	<u>(1,993)</u>
Net cash flows from/(used in) financing activities		<u>29,995</u>	<u>(54,769)</u>	<u>(13,479)</u>	<u>2,366</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
		16,493	(29,432)	252	9,548
Cash and cash equivalents at the beginning of year		26,936	43,429	13,997	14,022
Effect of foreign exchange rate changes, net		<u>–</u>	<u>–</u>	<u>(227)</u>	<u>322</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR					
	24	<u>43,429</u>	<u>13,997</u>	<u>14,022</u>	<u>23,892</u>

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		31 December 2018	31 December 2019
	Notes	RMB'000	RMB'000
NON-CURRENT ASSETS			
Investment in a subsidiary		—*	—*
Total non-current assets		—*	—*
CURRENT ASSETS			
Prepayments, deposits and other receivables		1,379	3,261
Cash and cash equivalents	24	2,111	3,177
Total current assets		3,490	6,438
CURRENT LIABILITIES			
Other payables and accruals		190	1,465
Total current liabilities		190	1,465
NET CURRENT ASSETS		3,300	4,973
Net assets		3,300	4,973
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	—*	—*
Reserves	31	3,300	4,973
Total equity		3,300	4,973

* The amount is less than RMB500.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 4 September 2018. The registered office of the Company is located at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the principal activities of the subsidiaries comprised provision of IT infrastructure services, IT implementation and supporting services and cloud services in the PRC.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed “Reorganisation” in the section headed “History and Reorganisation” in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong, the particulars of which are set out below:

Company name	Place and date of incorporation and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Frontier View Limited (<i>note (a)</i>)	British Virgin Islands (“BVI”) 30 July 2018	1 US Dollar (“US\$”)	100	–	Investment holding
Edensoft International Limited (<i>note (b)</i>)	Hong Kong 21 August 2018	HK\$1	–	100	Investment holding
Shenzhen Yundeng Technology Ltd. (深圳市雲登科技有限公司) (“Shenzhen Yundeng”) (<i>note (a)</i>)	Mainland China 19 December 2018	RMB1,000,000	–	100	Investment holding
Eden Information Service Ltd. (深圳市伊登軟件有限公司) (“Eden Information”) (<i>note (c)</i>)	Mainland China 21 November 2002	RMB30,345,010	–	100	Provision of IT infrastructure services, IT implementation and supporting services and cloud services
Dongguan Edensoft Ltd. (東莞市伊登軟件有限公司) (“Dongguan Edensoft”) (<i>note (c)</i>)	Mainland China 11 October 2013	RMB2,160,000	–	100	Provision of IT infrastructure services, IT implementation and supporting services and cloud services

Notes:

- (a) No audited financial statements have been prepared for this entity for the year ended 31 December 2018, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.
- (b) No audited financial statements have been prepared for this entity for the year ended 31 December 2018, as the entity was set up in 2018.
- (c) No audited financial statements have been prepared for this entity for the years ended 31 December 2016, 2017 and 2018, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

2. BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed “Reorganisation” in the section headed “History and Reorganisation” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 1 March 2019.

The Reorganisation only involved inserting new holding entities, including Shenzhen Yundeng, at the top of Eden Information, the then holding company of the Group, and has not resulted in any change of economic substances. Accordingly, for the purpose of this report, the Historical Financial Information in 2016, 2017, 2018 and 2019 has been presented as a continuation of Eden Information and its subsidiaries as if the Company had been the holding company of Eden Information and its subsidiaries at the beginning of the Relevant Periods.

All intra-group transactions and balances have been eliminated on consolidation.

3. BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which comprise all standards and interpretations approved by the HKICPA. All HKFRSs (except for HKFRS 9 *Financial Instruments*) effective for the accounting period commencing from 1 January 2018, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15, issued in July 2014, established a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised 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 recognising 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. The standard has superseded all previous revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard.

The Group has applied HKFRS 15 on a consistent basis throughout the Relevant Periods.

The accounting policy for the Group's main types of revenue is presented in note 5 to the Historical Financial Information. The Group's contract assets and contract liabilities under HKFRS 15, have been separately disclosed in the consolidated statements of financial position in the Historical Financial Information. More extensive disclosure on the Group's revenue transactions and additional disclosures for the contract assets, contract liabilities and information about performance obligations have been made in the Historical Financial Information upon the application of HKFRS 15.

The application of HKFRS 15 had no significant impact on the financial position and/or financial performance of the Group.

HKFRS 9 *Financial Instruments*

The principal effects of adopting HKFRS 9 are as follows:

HKFRS 9 *Financial Instruments* replaces Hong Kong Accounting Standard ("HKAS") 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. The financial information from 1 January 2016 to 31 December 2017 was not restated and continues to be reported under HKAS 39.

Changes to classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	HKAS 39 measurement			HKFRS 9 measurement	
	Category	Amount RMB'000	ECL RMB'000	Amount RMB'000	Category
Financial assets					
Financial assets at fair value through profit or loss	FVPL ¹	100	–	100	FVPL
Trade and bills receivables	L&R ²	57,574	(197)	57,377	AC ³
Financial assets included in prepayments, deposits and other receivables	L&R	915	–	915	AC
Pledged deposits	L&R	9,877	–	9,877	AC
Cash and cash equivalents	L&R	13,997	–	13,997	AC
		<u>82,463</u>	<u>(197)</u>	<u>82,266</u>	
Other assets					
Contract assets		6,364	(32)	6,332	
Deferred tax assets		<u>110</u>	<u>33</u>	<u>143</u>	
		<u>6,474</u>	<u>1</u>	<u>6,475</u>	
Total assets		<u>88,937</u>	<u>(196)</u>	<u>88,741</u>	
	HKAS 39 measurement			HKFRS 9 measurement	
	Category	Amount RMB'000	Reclassification RMB'000	Amount RMB'000	Category
Financial liabilities					
Trade payables	AC	61,746	–	61,746	AC
Financial liabilities included in other payables and accruals	AC	2,012	–	2,012	AC
Interest-bearing bank borrowings	AC	11,605	–	11,605	AC
Lease liabilities	AC	3,186	–	3,186	AC
		<u>78,549</u>	<u>–</u>	<u>78,549</u>	

¹ FVPL: Financial assets at fair value through profit or loss

² L&R: Loans and receivables

³ AC: Financial assets or financial liabilities at amortised cost.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in notes 20 and 22 to the Historical Financial Information.

	Impairment allowances under HKAS 39 at 31 December 2017 RMB'000	Remeasurement RMB'000	ECL allowances under HKFRS 9 at 1 January 2018 RMB'000
Trade and bills receivables	473	197	670
Contract assets	—	32	32
	<u>473</u>	<u>229</u>	<u>702</u>

Impact on retained profits

The impact of the Group's retained profits due to the remeasurement of financial instruments as at 1 January 2018, the Group's date of initial application of HKFRS 9, is as follows:

	Retained profits RMB'000
Balance as at 31 December 2017 under HKAS 39	28,612
Recognition of expected credit losses for trade and bills receivables under HKFRS 9	(197)
Recognition of expected credit losses for contract assets under HKFRS 9	(32)
Deferred tax in relation to the above	<u>33</u>
Balance as at 1 January 2018 under HKFRS 9	<u>28,416</u>

The application of HKFRS 9 had no significant impact on the financial position and/or financial performance of the Group.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC)-15 Operating Leases – Incentives and HK(SIC)-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged under HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has applied HKFRS 16 on a consistent basis throughout the Relevant Periods.

The accounting policy for the Group's leases is presented in note 5 to the Historical Financial Information.

4. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 3	<i>Definition of a Business¹</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 17	<i>Insurance Contracts²</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material¹</i>

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The Group is in the process of making an assessment of the impact and does not expect that the adoption of amendments to HKFRS 10 and HKAS 28 (2011) will have an impact on the financial position or performance of the Group.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

5. 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 are stated at cost less any impairment losses.

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statements of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax 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 recognised 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 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 Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised 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, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to 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 Group (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);
- (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 personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant 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, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to 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 capitalised in the carrying amount of that asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises 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, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Office and other equipment	20%-33%
Motor vehicles	10%
Leasehold improvement	Over the shorter of lease terms or 20%

Where parts of an item of property, plant 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, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the assets is derecognised is the difference between the net sales 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 capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its 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.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding contract period, commencing from the date when the products are put into commercial production.

Since the inception of the Group, there has been no costs qualifying for capitalization.

Leases***Right-of-use assets***

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the low-value assets lease recognition exemption to leases that are considered of low value (i.e., below US\$5,000). Lease payments on short-term leases and of low-value assets leases are recognised as expense on a straight-line basis over the lease terms.

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised 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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

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 amortised cost using the effective interest rate method less any allowance for impairment. Amortised 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 amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated 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 recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises 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 (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1:	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2:	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3:	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An 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, recognised 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 recognised in the statement of 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 realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and 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 recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation 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 amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

A financial liability is derecognised 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 recognised in the statement of profit or loss.

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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 recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable 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 consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash and which 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 consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised 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 Relevant Periods, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised 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 recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, 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 recognised 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 Relevant Periods 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. Unrecognised deferred tax assets are reassessed at the end of each Relevant Periods and are recognised 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 realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of each Relevant Periods.

Government grants

Government grants are recognised 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 recognised 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 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 profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

The following is a description of the accounting policy for the principal stream of the Group:

– IT infrastructure services:

Revenue from the IT infrastructure services are generally recognized at the point when the control of the software and/or hardware products transferred to the customer, generally after the completion of assessing customers' needs and their existing IT environment and advising them on the suitable hardware and/or software products that their IT environment would require and procuring the relevant hardware and/or software products from IT products vendors and installing these software and/or hardware products in customers' IT environment.

– IT implementation and supporting services:

The Group provides multiple deliverables to customers under the contracts of IT implementation and supporting services which comprise of (i) IT design and implementation services, (ii) provision of IT supporting and maintenance services, and (iii) sale of solution-based software and/or hardware products and related services.

Revenue from provision of IT design and implementation services is generally recognised over time, using an input method to measure progress towards complete satisfaction of the service because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services.

Revenue from provision of IT supporting and maintenance services is generally recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from sale of solution-based software and/or hardware products and related services is recognised at the point in time when control of the asset is transferred to the customer.

– Cloud services:

The Group offer design, management and technical support for using cloud platforms which include our self-developed cloud platform and other third party cloud platforms. The Group provides multiple deliverables to customers under the contracts of cloud services, which comprise of (i) contracts of cloud platform design services, (ii) contracts of cloud solutions services, and (iii) contracts of sale of solution-based software and/or hardware products and related services.

Revenue from provision of cloud platform design services is generally recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services.

Revenue from provision of cloud solutions services in relation to annual/monthly subscription fee for cloud-related software used under the cloud platforms is generally recognized over the scheduled period of time on a straight-line basis because our customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from sale of solution-based software and/or hardware products and related services is recognized at the point in time when control of the asset is transferred to the customer.

Other income

Interest income is recognised 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 asset.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer).

Employee retirement benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to 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 capitalised as part of the cost of those assets. The capitalisation 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 capitalised. 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.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The functional currency of the Company is Hong Kong dollars ("HK\$"). The Historical Financial Information is presented in Chinese Renminbi ("RMB"), which is the functional currency of the majority of the Company's subsidiaries. Each entity in the Group determines its own functional currency and items included in the consolidated 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 each Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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 recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Chinese Renminbi. As at the end of each Relevant Periods, the assets and liabilities of these entities are translated into Chinese Renminbi at the exchange rates prevailing at the end of each Relevant Periods and their statements of profit or loss and other comprehensive income are translated into Chinese Renminbi at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

6. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expense, 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the consolidated financial statements:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- (i) *Identifying performance obligations in a bundled IT supporting and maintenance services and sale of solution-based software and/or hardware products and related services*

The Group generally provide bundled IT implementation and supporting services to cater for the customer's specific requirements, and the scope of such bundled contract usually includes (i) sale of solution-based software and/or hardware products and related services and (ii) IT supporting and maintenance services. The IT supporting and maintenance services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer. The Group has allocated a portion of the transaction price to the sale of solution-based software and/or hardware products and related services and IT supporting and maintenance services based on relative standalone selling prices. Revenue from sale of solution-based software/hardware products and related services is recognized at the point in time when control of the asset is transferred to the customer while revenue from IT supporting and maintenance services is recognised over the scheduled period on a straight-line basis.

- (ii) *Determining the timing of satisfaction of IT design and implementation services and cloud platform design services*

The Group concluded that revenue for IT design and implementation services and cloud platform design services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the services that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

The Group determined that the input method is the best method in measuring the progress of the IT technical services because there is a direct relationship between the Group's effort (i.e., man hours incurred) and the transfer of services to the customer. The Group recognises revenue on the basis of man hours expended relative to the total expected labour hours to complete the services.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each Relevant Periods, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end based on changes in circumstances. The carrying amounts of property, plant and equipment at 31 December 2016, 2017, 2018 and 2019 were RMB1,521,000, RMB1,021,000, RMB689,000 and RMB1,369,000, respectively. Further details are given in note 16 to the Historical Financial Information.

Impairment allowances for trade and bills receivables (Applicable before 1 January 2018)

The Group estimates the impairment allowances for trade and bills receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgement. Allowances are applied to trade and bills receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, the difference will affect the carrying amounts of trade and bills receivables and thus the impairment loss in the period in which the estimate is changed. The Group reassesses the impairment allowances at the end of each Relevant Periods.

Provision for expected credit losses on trade and bills receivables and contract assets (Applicable after 1 January 2018)

The Group uses a provision matrix to calculate ECLs for trade and bills receivables and contract assets. The provision rates are based on invoice ageing for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade and bills receivables and contract assets is disclosed in notes 20 and 22 to the Historical Financial Information, respectively.

7. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has three reportable operating segments as follows:

- IT infrastructure services: Assessing customers' needs and their existing IT environment and providing IT infrastructure services by advising them on the suitable hardware and/or software products that their IT environment would require and procuring the relevant hardware and/or software products from IT products vendors and installing these IT products in customers' IT environment.
- IT implementation and supporting services: (i) design of IT solutions, (ii) development and/or implementation of solution-based software and/or hardware products and (iii) provision of technical and maintenance supporting services.
- Cloud services: Offering design, management and technical support for using cloud platforms which include self-developed cloud platform and other third party cloud platforms.

Revenue and expense are allocated to the reportable segments with reference to revenue generated by those segments and the expense incurred by those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred during the Relevant Periods. The Group's other income and expense items, such as administrative expense, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, depreciation and amortisation, interest income and interest expense is presented.

Information regarding the Group's reportable segments as provided to the Group's management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016, 2017, 2018 and 2019 is set out below:

Year ended 31 December 2016				
	IT infrastructure services RMB'000	IT implementation and supporting services RMB'000	Cloud services RMB'000	Total RMB'000
Reportable segment revenue	198,854	79,856	48,583	327,293
Reportable segment cost of sales	(181,727)	(69,673)	(38,037)	(289,437)
Reportable segment gross profit	<u>17,127</u>	<u>10,183</u>	<u>10,546</u>	<u>37,856</u>
Year ended 31 December 2017				
	IT infrastructure services RMB'000	IT implementation and supporting services RMB'000	Cloud services RMB'000	Total RMB'000
Reportable segment revenue	250,998	80,396	137,045	468,439
Reportable segment cost of sales	(226,316)	(69,136)	(114,528)	(409,980)
Reportable segment gross profit	<u>24,682</u>	<u>11,260</u>	<u>22,517</u>	<u>58,459</u>

	Year ended 31 December 2018			
	IT infrastructure services RMB'000	IT implementation and supporting services RMB'000	Cloud services RMB'000	Total RMB'000
Reportable segment revenue	276,251	145,826	190,015	612,092
Reportable segment cost of sales	<u>(253,496)</u>	<u>(126,948)</u>	<u>(155,104)</u>	<u>(535,548)</u>
Reportable segment gross profit	<u>22,755</u>	<u>18,878</u>	<u>34,911</u>	<u>76,544</u>

	Year ended 31 December 2019			
	IT infrastructure services RMB'000	IT implementation and supporting services RMB'000	Cloud services RMB'000	Total RMB'000
Reportable segment revenue	401,775	141,563	248,550	791,888
Reportable segment cost of sales	<u>(370,664)</u>	<u>(129,506)</u>	<u>(208,516)</u>	<u>(708,686)</u>
Reportable segment gross profit	<u>31,111</u>	<u>12,057</u>	<u>40,034</u>	<u>83,202</u>

Geographical information

All revenue of the Group is derived from sales to customers whose registered offices are located in Mainland China.

All non-current assets of the Group (excluding deferred tax assets) are located in Mainland China.

Information about major customers

Revenue of approximately RMB139,953,000, RMB232,466,000, RMB258,852,000 and RMB319,643,000 was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer during the years ended 31 December 2016, 2017, 2018 and 2019, respectively.

8. REVENUE AND OTHER INCOME AND GAINS

Revenue from contracts with customers

(i) Disaggregated revenue information

Type of services	2016			2017		
	IT infrastructure services	IT implementation and supporting services	Cloud services	IT infrastructure services	IT implementation and supporting services	Cloud services
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sale of software and/or hardware products and related services	198,854	–	–	250,998	–	–
Sale of solution-based software and/or hardware products and related services	–	54,094	1,373	–	48,192	2,499
IT supporting and maintenance services	–	2,788	–	–	5,708	–
Cloud solution services	–	–	47,210	–	–	134,546
IT design and implementation services	–	22,974	–	–	26,496	–
Cloud platform design services	–	–	–	–	–	–
Total revenue from contracts with customers	<u>198,854</u>	<u>79,856</u>	<u>48,583</u>	<u>250,998</u>	<u>80,396</u>	<u>137,045</u>
Geographical markets						
Mainland China	<u>198,854</u>	<u>79,856</u>	<u>48,583</u>	<u>250,998</u>	<u>80,396</u>	<u>137,045</u>
Timing of revenue recognition						
At a point in time	198,854	54,094	1,373	250,998	48,192	2,499
Over time	<u>–</u>	<u>25,762</u>	<u>47,210</u>	<u>–</u>	<u>32,204</u>	<u>134,546</u>
Total revenue from contracts with customers	<u>198,854</u>	<u>79,856</u>	<u>48,583</u>	<u>250,998</u>	<u>80,396</u>	<u>137,045</u>
Type of services	2018			2019		
	IT infrastructure services	IT implementation and supporting services	Cloud services	IT infrastructure services	IT implementation and supporting services	Cloud services
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sale of software and/or hardware products and related services	276,251	–	–	401,775	–	–
Sale of solution-based software and/or hardware products and related services	–	93,695	156	–	93,147	138,846
IT supporting and maintenance services	–	3,481	–	–	6,336	–
Cloud solution services	–	–	179,561	–	–	98,140
IT design and implementation services	–	48,650	–	–	42,080	–
Cloud platform design services	–	–	10,298	–	–	11,564
Total revenue from contracts with customers	<u>276,251</u>	<u>145,826</u>	<u>190,015</u>	<u>401,775</u>	<u>141,563</u>	<u>248,550</u>
Geographical markets						
Mainland China	<u>276,251</u>	<u>145,826</u>	<u>190,015</u>	<u>401,775</u>	<u>141,563</u>	<u>248,550</u>
Timing of revenue recognition						
At a point in time	276,251	93,695	156	401,775	93,147	138,846
Over time	<u>–</u>	<u>52,131</u>	<u>189,859</u>	<u>–</u>	<u>48,416</u>	<u>109,704</u>
Total revenue from contracts with customers	<u>276,251</u>	<u>145,826</u>	<u>190,015</u>	<u>401,775</u>	<u>141,563</u>	<u>248,550</u>

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of software and/or hardware products and related services

The performance obligation is satisfied upon delivery of the software and/or hardware products and related services and payment is generally due within 30 to 90 days from issuance of the invoices, except for new customers, where payment in advance is normally required. However, the management considers the cost of installation service is insignificant and no transaction price is allocated to the service.

Sale of solution-based software and/or hardware products and related services

The performance obligation is satisfied upon delivery of the solution-based software and/or hardware products and related services, and payment is generally due within 30 to 90 days from delivery and customer acceptance, except for new customers, where payment in advance is normally required. However, the management considers the cost of installation service is insignificant and no transaction price is allocated to the service.

IT supporting and maintenance services

The performance obligation is satisfied over time on a straight-line basis as services are rendered and payment is generally due within 30 to 90 days upon completion of services, except for new customers, where payment in advance is normally required.

Cloud solution services

The performance obligation is satisfied over time on a straight-line basis as services are rendered and payment is generally due within 30 to 90 days upon completion of services and customer acceptance.

IT design and implementation services

The performance obligation is satisfied over time, using an input method to measure progress towards complete satisfaction of the service, as services are rendered and payment is generally due within 30 to 90 days upon completion of services and customer acceptance, except for new customers, where payment in advance is normally required.

Cloud platform design services

The performance obligation is satisfied over time, using an input method to measure progress towards complete satisfaction of the service, as services are rendered and payment is generally due within 30 to 90 days upon completion of services and customer acceptance, except for new customers, where payment in advance is normally required.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2016, 2017, 2018 and 2019 are as follows:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	34,730	51,890	24,118	145,753
More than one year	<u>10,316</u>	<u>70,518</u>	<u>204,738</u>	<u>68,325</u>
	<u>45,046</u>	<u>122,408</u>	<u>228,856</u>	<u>214,078</u>

The remaining performance obligations expected to be recognised in more than one year relate to IT infrastructure services, IT implementation and supporting services and cloud services that are to be satisfied within three years. All the other remaining performance obligations are expected to be recognised within one year.

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Other income				
Bank interest income	101	185	136	186
Government grants – related to income*	1,724	1,404	1,686	2,031
Government grants – related to asset	<u>214</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>2,039</u>	<u>1,589</u>	<u>1,822</u>	<u>2,217</u>
Gains				
Foreign exchange gains, net	–	298	–	1,088
Gain on financial assets at fair value through profit or loss	88	319	646	556
Gain on disposal of items of property, plant and equipment	–	–	–	15
Others	<u>–</u>	<u>11</u>	<u>79</u>	<u>10</u>
	<u>88</u>	<u>628</u>	<u>725</u>	<u>1,669</u>
	<u>2,127</u>	<u>2,217</u>	<u>2,547</u>	<u>3,886</u>

* For the years ended 31 December 2016, 2017, 2018 and 2019, various government grants of RMB1,724,000, RMB1,404,000, RMB1,686,000 and RMB2,031,000, respectively, representing cash payments and subsidies provided by the local government authorities to the Group as an encouragement for its technological innovation. There are no unfulfilled conditions or contingencies relating to these grants.

9. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December			
	Notes	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000
Cost of inventories sold		230,321	270,447	330,642	590,512
Cost of services provided		59,116	139,533	204,906	118,174
Depreciation of property, plant and equipment	16	556	139,533	204,906	118,174
Depreciation of right-of-use assets	17	1,538	1,533	1,287	3,327
Auditor's remuneration		248	189	189	94
Rental expenses from short-term leases		160	161	65	60
Listing expense		–	–	5,348	8,816
Research and development expenses		3,824	10,589	18,482	19,279
Employee benefit expense (including Directors' remuneration (note 11)):					
Wages and salaries		11,560	11,552	12,603	13,473
Pension scheme contributions		1,150	1,956	2,188	2,290
		<u>12,710</u>	<u>13,508</u>	<u>14,791</u>	<u>15,763</u>
Foreign exchange differences, net***		–	(298)	360	(1,088)
(Reversal)/recognition of impairment losses on trade and bills receivables***		(139)	(79)	270	361
Recognition of impairment losses on contract assets**		–	–	12	59
Gain on financial assets at fair value through profit or loss*		(88)	(319)	(646)	(556)
Share of losses of an associate**		–	–	–	72
Loss on disposal of subsidiaries**		–	961	–	–

* Included in "Other income and gains" in profit or loss

** Included in "Other expense" in profit or loss

*** Included in "Other income and gains" or "Other expense" in profit or loss

10. FINANCE COSTS

	Year ended 31 December			
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000
Interest on bank loans	1,732	764	815	1,993
Interest on lease liabilities	<u>211</u>	<u>174</u>	<u>125</u>	<u>330</u>
	<u>1,953</u>	<u>938</u>	<u>940</u>	<u>2,323</u>

11. DIRECTORS' REMUNERATION

Directors' remuneration for the Relevant Periods, disclosed pursuant to the Listing Rules, section 383 (1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Fees	—	—	—	—
Other emoluments:				
Salaries, allowances and benefits in kind	693	994	1,258	1,227
Pension scheme contributions	93	128	169	148
	<u>786</u>	<u>1,122</u>	<u>1,427</u>	<u>1,375</u>

(a) Non-executive directors

Subsequent to the end of the Relevant Periods, Mr. Yu Kwok Leung, Mr. Ho Ka Chun and Mr. Liang Chi were appointed as independent non-executive directors of the Company.

(b) Executive directors

On 8 March 2019, Mr. Li Yi, Mr. Ling Yunzhi and Ms. Peng Dongping were appointed as executive directors of the Company, and Ms. Ding Xinyun was appointed as the chief executive officer of the Company.

	Salaries, allowances, and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2016			
Ms. Ding Xinyun	36	5	41
Ms. Li Yi	195	25	220
Mr. Ling Yunzhi	—	—	—
Ms. Peng Dongping	<u>462</u>	<u>63</u>	<u>525</u>
	<u>693</u>	<u>93</u>	<u>786</u>

	Salaries, allowances, and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Year ended 31 December 2017			
Ms. Ding Xinyun	36	5	41
Ms. Li Yi	233	25	258
Mr. Ling Yunzhi	125	17	142
Ms. Peng Dongping	600	81	681
	<u>994</u>	<u>128</u>	<u>1,122</u>
Year ended 31 December 2018			
Ms. Ding Xinyun	36	5	41
Ms. Li Yi	269	36	305
Mr. Ling Yunzhi	323	43	366
Ms. Peng Dongping	630	85	715
	<u>1,258</u>	<u>169</u>	<u>1,427</u>
Year ended 31 December 2019			
Ms. Ding Xinyun	36	5	41
Ms. Li Yi	234	29	263
Mr. Ling Yunzhi	307	34	341
Ms. Peng Dongping	650	80	730
	<u>1,227</u>	<u>148</u>	<u>1,375</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2016, 2017, 2018 and 2019 included 1, 1, 1 and 1 director, respectively, details of whose remuneration are set out in note 11 above. Details of the remuneration for the years ended 31 December 2016, 2017, 2018 and 2019 of the remaining 4, 4, 4 and 4 highest paid employees, respectively, who are not directors of the Company are as follows:

	Year ended 31 December			
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and benefits in kind	1,527	1,883	1,850	1,824
Pension scheme contributions	<u>206</u>	<u>254</u>	<u>248</u>	<u>228</u>
	<u><u>1,733</u></u>	<u><u>2,137</u></u>	<u><u>2,098</u></u>	<u><u>2,052</u></u>

The number of these non-director highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December			
	2016	2017	2018	2019
Nil to HK\$1,000,000	<u><u>4</u></u>	<u><u>4</u></u>	<u><u>4</u></u>	<u><u>4</u></u>

During the Relevant Periods, 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.

13. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any tax in the Cayman Islands.

Pursuant to the rules and regulations of the British Virgin Islands, the Group is not subject to any tax in the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods, except for one subsidiary of the Group which is a qualifying entity under the two-tier profit tax rate regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Pursuant to the PRC Income Tax Law and the respective regulations, subsidiaries of the Group operating in Mainland China are subject to Corporate Income Tax at a rate of 25% on the taxable income. Preferential tax treatment is available to the Group's operating subsidiaries, Eden Information, Dongguan Eden, and Shenzhen Yundeng, since Eden Information was recognised as High Technology Enterprise and was entitled to a preferential tax rate of 15%, and Dongguan Eden and ShenZhen Yundeng were recognised as Micro and Small Company and were entitled to a preferential tax rate of 10% for the year ended 31 December 2016, 2017 and 2018. Under the 2019 tax regime of Micro and Small Company, Dongguan Eden and ShenZhen Yundeng are entitled to a preferential tax rate of 5% for the first RMB1,000,000 of assessable profits and the remaining assessable profits below RMB3,000,000 are taxed at 10% for the year ended 31 December 2019.

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Current – PRC				
– charge for the year	1,754	3,728	4,494	4,396
Current – Hong Kong				
– charge for the year	–	–	–	57
Deferred (note 29)	<u>32</u>	<u>4</u>	<u>31</u>	<u>(127)</u>
Total tax charge for the year	<u>1,786</u>	<u>3,732</u>	<u>4,525</u>	<u>4,326</u>

A reconciliation of the income tax expense applicable to profit before tax using the statutory tax rate for the jurisdictions in which the Company's subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable tax rates to the effective tax rates, are as follows:

	Year ended 31 December							
	2016		2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax	<u>13,797</u>		<u>26,005</u>		<u>31,655</u>		<u>28,874</u>	
Tax at the statutory tax rate	3,450	25.0	6,501	25.0	8,803	27.8	8,692	30.1
Entities subject to lower statutory income tax rates	(1,374)	(10.0)	(2,663)	(10.2)	(3,520)	(11.1)	(3,276)	(11.3)
Losses attributable to associates	–	–	–	–	–	–	11	–
Additional deduction of research and development expense	–	–	(393)	(1.5)	(897)	(2.8)	(1,167)	(4.0)
Income not subject to tax	(421)	(3.1)	(331)	(1.3)	–	–	–	–
Expense not deductible for tax	67	0.5	497	1.9	139	0.4	27	0.1
Tax losses not recognised	<u>64</u>	0.5	<u>121</u>	0.5	<u>–</u>	–	<u>39</u>	0.1
Tax charge at the Group's effective tax rate	<u>1,786</u>	12.9	<u>3,732</u>	14.4	<u>4,525</u>	14.3	<u>4,326</u>	15.0

The weighted average applicable tax rate was 25%, 25%, 27.8%, and 30.1% for the years ended 31 December 2016, 2017, 2018 and 2019, respectively. The increase for the year ended 31 December 2018 and 31 December 2019 is mainly due to more loss before tax arising from the Company during the year, the statutory tax rate of which is nil.

14. DIVIDENDS

The dividends declared by the Company's subsidiaries to their then shareholders during the Relevant Periods were as follows:

	Year ended 31 December			
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Dividends paid to then shareholders	–	4,280	30,015	–

No dividend has been paid or declared by the Company since its incorporation.

On 19 May 2017, Eden Information declared to distribute cash dividends amounting to RMB4,280,000 to its then shareholders.

On 17 May 2018, Eden Information declared to distribute cash dividends amounting to RMB5,277,000 and stock dividends amounting to RMB17,152,000 to its then shareholders.

On 27 August 2018, Eden Information declared to distribute cash dividends amounting to RMB7,586,000 to its then shareholders.

15. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY 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 for the Relevant Periods as disclosed in note 2 to the Historical Financial Information.

16. PROPERTY, PLANT AND EQUIPMENT

	Office and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Total RMB'000
31 December 2016				
At 1 January 2016:				
Cost	940	890	740	2,570
Accumulated depreciation	(539)	(308)	(19)	(866)
Net carrying amount	<u>401</u>	<u>582</u>	<u>721</u>	<u>1,704</u>
At 1 January 2016, net of accumulated depreciation	401	582	721	1,704
Additions	144	–	257	401
Disposal	(28)	–	–	(28)
Depreciation provided during the year (note 9)	(203)	(109)	(244)	(556)
At 31 December 2016, net of accumulated depreciation	<u>314</u>	<u>473</u>	<u>734</u>	<u>1,521</u>
At 31 December 2016:				
Cost	1,046	890	997	2,933
Accumulated depreciation	(732)	(417)	(263)	(1,412)
Net carrying amount	<u>314</u>	<u>473</u>	<u>734</u>	<u>1,521</u>
	Office and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Total RMB'000
31 December 2017				
At 1 January 2017:				
Cost	1,046	890	997	2,933
Accumulated depreciation	(732)	(417)	(263)	(1,412)
Net carrying amount	<u>314</u>	<u>473</u>	<u>734</u>	<u>1,521</u>
At 1 January 2017, net of accumulated depreciation	314	473	734	1,521
Additions	46	–	–	46
Disposal of subsidiaries	(14)	(21)	–	(35)
Depreciation provided during the year (note 9)	(153)	(100)	(258)	(511)
At 31 December 2017, net of accumulated depreciation	<u>193</u>	<u>352</u>	<u>476</u>	<u>1,021</u>
At 31 December 2017:				
Cost	846	629	997	2,472
Accumulated depreciation	(653)	(277)	(521)	(1,451)
Net carrying amount	<u>193</u>	<u>352</u>	<u>476</u>	<u>1,021</u>

	Office and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Total RMB'000
31 December 2018				
At 1 January 2018:				
Cost	846	629	997	2,472
Accumulated depreciation	(653)	(277)	(521)	(1,451)
Net carrying amount	193	352	476	1,021
At 1 January 2018, net of accumulated depreciation	193	352	476	1,021
Additions	61	–	–	61
Depreciation provided during the year (note 9)	(83)	(60)	(250)	(393)
At 31 December 2018, net of accumulated depreciation	171	292	226	689
At 31 December 2018:				
Cost	907	629	997	2,533
Accumulated depreciation	(736)	(337)	(771)	(1,844)
Net carrying amount	171	292	226	689
	Office and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Total RMB'000
31 December 2019				
At 1 January 2019:				
Cost	907	629	997	2,533
Accumulated depreciation	(736)	(337)	(771)	(1,844)
Net carrying amount	171	292	226	689
At 1 January 2019, net of accumulated depreciation	171	292	226	689
Additions	241	104	864	1,209
Disposals	(2)	(32)	–	(34)
Depreciation provided during the year (note 9)	(69)	(55)	(371)	(495)
At 31 December 2019, net of accumulated depreciation	341	309	719	1,369
At 31 December 2019:				
Cost	1,142	611	1,861	3,614
Accumulated depreciation	(801)	(302)	(1,142)	(2,245)
Net carrying amount	341	309	719	1,369

17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	Right-of-use assets	
	Properties	Lease
	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2016	6,161	5,885
Additions	3,664	1,094
Depreciation expense (note 9)	(1,538)	–
Interest expense (note 10)	–	221
Payment	–	(2,588)
As at 31 December 2016 and 1 January 2017	8,287	4,612
Depreciation expense (note 9)	(1,533)	–
Interest expense (note 10)	–	174
Payment	–	(1,453)
Disposal of subsidiaries	(147)	(147)
As at 31 December 2017 and 1 January 2018	6,607	3,186
Additions	5,861	5,861
Depreciation expense (note 9)	(1,287)	–
Interest expense (note 10)	–	125
Payment	–	(1,245)
As at 31 December 2018 and 1 January 2019	11,181	7,927
Additions	229	229
Depreciation expense (note 9)	(3,327)	–
Interest expense (note 10)	–	330
Payment	–	(3,043)
As at 31 December 2019	<u>8,083</u>	<u>5,443</u>

The carrying amounts of lease liabilities are repayable:

	As at 31 December			
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year or on demand	1,493	1,213	2,871	3,213
In the second year	1,260	1,193	2,955	2,230
In the third to fifth, inclusive	<u>1,859</u>	<u>780</u>	<u>2,101</u>	<u>–</u>
	<u>4,612</u>	<u>3,186</u>	<u>7,927</u>	<u>5,443</u>

18. INVESTMENT IN AN ASSOCIATE

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Share of profits and other comprehensive income	—	—	—	(72)
Cost of investment in an associate	—	1,500	1,500	1,200
	<u>—</u>	<u>1,500</u>	<u>1,500</u>	<u>1,128</u>

Particulars of the associate are as follows:

Company name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group				Principal activities
			2016	2017	2018	2019	
Fuzhou Donghu Education Technology Ltd. (福州東湖教育科技有限公司)(“Fuzhou Donghu”)	Ordinary shares	Mainland China	—	30%	30%	24%	Research and development of education software

The Group's shareholdings in the associate is held through Eden Information, a wholly-owned subsidiary of the Company. On 24 January 2019, Eden Information transferred its 6% equity interests in Fuzhou Donghu to Fuzhou Fuzhi Education Investment Co., Ltd (“福州福職蘊智教育投資有限公司”), an independent third party.

The following table illustrates the aggregate financial information of the Group's associate:

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Share of the associate's loss for the year	—	—	—	(72)
Share of the associate's total comprehensive loss	—	—	—	(72)
Aggregate carrying amount of the Group's investment in the associate	<u>—</u>	<u>1,500</u>	<u>1,500</u>	<u>1,128</u>

19. INVENTORIES

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Commodity products	<u>24,363</u>	<u>33,772</u>	<u>44,709</u>	<u>38,228</u>

20. TRADE AND BILLS RECEIVABLES

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	50,807	47,577	93,674	101,615
Impairment	<u>(591)</u>	<u>(473)</u>	<u>(468)</u>	<u>(829)</u>
Trade receivables, net	50,216	47,104	93,206	100,786
Bills receivables	<u>16,520</u>	<u>10,470</u>	<u>318</u>	<u>450</u>
	<u>66,736</u>	<u>57,574</u>	<u>93,524</u>	<u>101,236</u>

The Group grants certain credit periods to customers, except for new customers, where payment in advance is normally required. The credit period for specific customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate.

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

As at 31 December 2016, 2017, 2018 and 2019, certain of the Group's interest-bearing bank borrowings were secured by the Group's trade and bills receivables with a carrying value of RMB48,837,000, RMB6,321,000, RMB2,738,000 and RMB55,000, respectively. Trade and bills receivables are non-interest-bearing, and the carrying amounts of the trade and bills receivables approximate to their fair values.

An ageing analysis of the trade receivables as at the end of each Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 30 days	<u>30,173</u>	<u>21,882</u>	<u>77,516</u>	<u>67,116</u>
31 to 60 days	14,763	14,105	6,084	24,913
61 to 90 days	4,438	5,042	1,995	5,605
Over 90 days	<u>1,433</u>	<u>6,548</u>	<u>8,079</u>	<u>3,981</u>
	<u>50,807</u>	<u>47,577</u>	<u>93,674</u>	<u>101,615</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000
At beginning of year	730	591	473	468
Effect of adoption of HKFRS 9	—	—	197	—
At beginning of year (restated)	730	591	670	468
(Reversal)/recognition of impairment losses	(139)	(79)	270	361
Amount written off as uncollectible	—	—	(472)	—
Derecognised due to disposal of subsidiaries	—	(39)	—	—
At end of year	591	473	468	829

Impairment under HKAS 39 for the years ended 31 December 2016 and 2017

The ageing analysis of the trade and bills receivables, based on the credit term, that are not individually nor collectively considered to be impaired under HKAS 39, is as follows:

		Neither past due nor impaired RMB'000	Past due but not impaired	
	Total RMB'000		Less than 90 days RMB'000	Over 90 days RMB'000
31 December 2016	66,736	65,358	1,049	329
31 December 2017	57,574	56,898	462	214

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment under HKAS 39 is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Impairment under HKFRS 9 for the year ended 31 December 2018 and 2019

From 1 January 2018, the Group has applied the simplified approach to providing impairment for ECLs on trade receivables prescribed by HKFRS 9. An impairment analysis is performed at year end using a provision matrix to measure ECLs. The provision rates are based on invoice ageing for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than three years and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Ageing			Total RMB'000
	Less than 6 month RMB'000	6 to 12 months RMB'000	Over 12 months RMB'000	
As at 31 December 2018				
Expected credit loss rate	0.50%	0.50%	82.50%	0.50%
Gross carrying amount (RMB'000)	90,817	2,857	–	93,674
Expected credit losses (RMB'000)	454	14	–	468
As at 31 December 2019				
Expected credit loss rate	0.69%	1.25%	82.65%	0.82%
Gross carrying amount (RMB'000)	100,111	1,357	147	101,615
Expected credit losses (RMB'000)	691	17	121	829

Since 1 January 2018, the Group has applied the general approach to provide for expected credit losses for bills receivables under HKFRS 9. The Group considers the historical loss rate and adjusts for forward looking macroeconomic data in calculating the expected credit loss rate. The Group has classified bills receivables in stage 1 and continuously monitors their credit risk. As at 31 December 2018 and 2019, the Group estimated the expected loss rate for bills receivables is insignificant.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000
Prepayments	7,018	4,868	1,745	1,919
Deposits and other receivables	<u>6,537</u>	<u>915</u>	<u>3,298</u>	<u>6,421</u>
	<u>13,555</u>	<u>5,783</u>	<u>5,043</u>	<u>8,340</u>

Since 1 January 2018, the Group has applied the general approach to provide for expected credit losses for financial assets included in prepayments, deposits and other receivables under HKFRS 9. The Group considers the historical loss rate and adjusts for forward looking macroeconomic data in calculating the expected credit loss rate. The Group has classified financial assets included in prepayments, deposits and other receivables in stage 1 and continuously monitors their credit risk. As at 31 December 2018 and 2019, the Group estimated the expected loss rate for financial assets included in prepayments, deposits and other receivables is insignificant.

22. CONTRACT ASSETS

Details of contract assets as at the end of each of the Relevant Periods are as follows:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets arising from				
IT implementation and supporting services	6,273	6,364	8,835	14,712
Impairment	—	—	(44)	(103)
	<u>6,273</u>	<u>6,364</u>	<u>8,791</u>	<u>14,609</u>

Contract assets are initially recognised for revenue earned from the provision of IT implementation and supporting services as the receipt of consideration is conditional on successful completion of implementation of IT solutions. Upon completion of implementation and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets during the years ended at 31 December 2017, 2018 and 2019 was the result of the increase in the ongoing provision of IT implementation and supporting services at the end of the year.

The expected timing of recovery or settlement for contract assets as at the end of each of the Relevant Periods is as follows:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	<u>6,273</u>	<u>6,364</u>	<u>8,791</u>	<u>14,609</u>

The movements in the loss allowance for impairment of contract assets are as follows:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year	—	—	—	44
Effect of adoption of HKFRS 9	—	—	32	—
At beginning of year (restated)	—	—	32	44
Impairment losses	—	—	12	59
At end of year	<u>—</u>	<u>—</u>	<u>44</u>	<u>103</u>

Impairment under HKFRS 9 for the year ended 31 December 2018 and 2019

An impairment analysis is performed at year end using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on invoice ageing of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	As at 31 December 2018	As at 31 December 2019
Expected credit loss rate	0.50%	0.69%
Gross carrying amount (<i>RMB'000</i>)	8,835	14,712
Expected credit losses (<i>RMB'000</i>)	44	103

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 <i>RMB'000</i>	As at 31 December 2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>
Bank wealth investment products	<u>3,000</u>	<u>100</u>	<u>–</u>	<u>–</u>

The above financial assets as at 31 December 2016, 2017, 2018 and 2019 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS**The Group**

	2016 <i>RMB'000</i>	As at 31 December 2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cash and bank balances	59,769	23,874	23,583	33,268
Less: Pledged deposits				
Pledged for factoring loans	(12,440)	(6,877)	(711)	(52)
Pledged for letters of guarantee	<u>(3,900)</u>	<u>(3,000)</u>	<u>(8,850)</u>	<u>(9,324)</u>
Cash and cash equivalents	<u>43,429</u>	<u>13,997</u>	<u>14,022</u>	<u>23,892</u>

Cash and cash equivalents denominated in:

	As at 31 December			
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
– RMB	43,429	13,997	11,304	19,354
– US\$	–	–	607	1,276
– HK\$	–	–	2,111	3,262
Cash and cash equivalents	<u>43,429</u>	<u>13,997</u>	<u>14,022</u>	<u>23,892</u>

The Company

	As at 31 December 2018 <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i>
Cash and bank balances	<u>2,111</u>	<u>3,177</u>

Cash and bank balances denominated in:

	As at 31 December 2018 <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i>
– HK\$	<u>2,111</u>	<u>3,177</u>

The RMB is not freely convertible into other currencies. However, under Mainland China's 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 authorised to conduct foreign exchange business.

Pledged deposits represent balances pledged to banks for the Group's factoring loans and letters of guarantee.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2018 and 31 December 2019, cash and cash equivalents of the Group and the Company were considered to be of low credit risk, and thus the Group has assessed that the ECL for cash and cash equivalents is immaterial under the 12-month expected losses method.

25. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	55,647	49,313	76,738	80,084
31 to 60 days	12,090	8,770	15,078	1,279
61 to 90 days	13,781	244	24	–
Over 90 days	<u>1,904</u>	<u>3,419</u>	<u>584</u>	<u>1,034</u>
	<u>83,422</u>	<u>61,746</u>	<u>92,424</u>	<u>82,397</u>

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days. The carrying amounts of the trade payables approximate to their fair values.

26. OTHER PAYABLES AND ACCRUALS

	As at 31 December			
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salary and welfare payables	3,037	2,749	3,577	3,589
Other payables and accruals	1,888	2,654	3,981	3,919
Accrued interests	63	18	7	7
Amount due to an associate	–	1,500	1,500	–
Amount due to a then shareholder of a subsidiary	<u>12</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>5,000</u>	<u>6,921</u>	<u>9,065</u>	<u>7,515</u>

The other payables and accruals are non-interest-bearing and are repayable on demand or within one year.

27. CONTRACT LIABILITIES

Details of contract liabilities as at the end of each of the Relevant Periods are as follows:

	As at 31 December			
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Short-term advances received from customers				
IT infrastructure services	2,389	5,996	2,967	2,039
IT implementation and supporting services	212	60	1,076	1,693
Cloud services	<u>84</u>	<u>756</u>	<u>625</u>	<u>1,525</u>
	<u>2,685</u>	<u>6,812</u>	<u>4,668</u>	<u>5,257</u>

Contract liabilities include short-term advances received to deliver IT products and render services. The increase in contract liabilities during the year ended 31 December 2017 was mainly due to the increase in short-term advances received from customers in relation to the provision of IT infrastructure services at the end of the year. The decrease in contract liabilities during the year ended 31 December 2018 was mainly due to the decrease in short-term advances received from customers in relation to the provision of IT infrastructure services at the end of the year. The increase in contract liabilities during the year ended 31 December 2019 was mainly due to the increase in short-term advances received from customers in relation to the cloud services at the end of the year.

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods:

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the Relevant Periods:				
IT infrastructure services	1,100	2,389	5,996	2,967
IT implementation and supporting services	231	212	60	1,076
Cloud services	—	84	756	625
	<u>1,331</u>	<u>2,685</u>	<u>6,812</u>	<u>4,668</u>

28. INTEREST-BEARING BANK BORROWINGS

	As at 31 December											
	2016			2017			2018			2019		
	Contractual interest rate	Maturity	RMB'000	Contractual interest rate	Maturity	RMB'000	Contractual interest rate	Maturity	RMB'000	Contractual interest rate	Maturity	RMB'000
Interest-bearing bank loans – secured	LPR+1.05	2017	30,701	LPR+1.10	2018	6,005	LPR+1.30	2019	2,601	LPR+1.505%	2020	52
Interest-bearing bank loans – secured	5.9650%	2017	16,520	LPR+1.355%	2018	1,500						
Interest-bearing bank loans – secured	LPR+1.1375%	2017	12,400	LPR+1.79%	2018	4,100	LPR+1.355%	2019	3,350	6.612%	2020	5,600
			<u>59,621</u>			<u>11,605</u>			<u>5,951</u>			<u>5,652</u>

Note: “LPR” stands for the loan base rates announced by the National Interbank Lending Centre (全國銀行間同業拆借中心) of the PRC.

All interest-bearing bank borrowings are repayable within one year, and are denominated in RMB.

The Group's banking facilities amounting to RMB48,500,000, RMB52,500,000, RMB31,500,000 and RMB60,000,000 as at 31 December 2016, 2017, 2018 and 2019 were guaranteed by Ms. Ding Xinyun, the Controlling Shareholder of the Group, and personal real estates owned by Ms. Ding Xinyun, respectively, of which RMB12,400,000, RMB5,600,000, RMB3,350,000, and nil have been utilized for bank borrowings, and RMB13,000,000, RMB10,000,000, RMB25,150,000, and RMB45,000,000 have been utilized for letter of guarantee.

The Group's banking borrowings amounting to RMB5,600,000 as at 31 December 2019 was guaranteed by Ms. Ding Xinyun and an independent third party financing company.

The Group's interest-bearing banking borrowings amounting to RMB47,221,000, RMB6,005,000, RMB2,601,000 and RMB52,000 were secured by trade and bills receivables of the Group amounting to RMB48,837,000, RMB6,321,000, RMB2,738,000 and RMB55,000 as at 31 December 2016, 2017, 2018 and 2019, respectively. (Note 20)

The Group's interest-bearing banking borrowings amounting to RMB47,221,000, RMB6,005,000, RMB2,601,000 and RMB52,000 were secured by pledged deposits of the Group amounting to RMB12,440,000, RMB6,877,000, RMB711,000 and RMB52,000 as at 31 December 2016, 2017, 2018 and 2019, respectively. (Note 24)

29. DEFERRED TAX

Deferred tax assets

Deferred tax assets have been recognised in respect of temporary differences between the carrying amounts and tax bases of government grants and impairment of financial and contract assets.

The movements in deferred tax assets are as follows:

	Government grants RMB'000	Impairment of financial and contract assets RMB'000	Leases RMB'000	Total RMB'000
At 1 January 2016	32	106	8	146
Charged to profit or loss (<i>note 13</i>)	(32)	(22)	22	(32)
At 31 December 2016 and 1 January 2017	–	84	30	114
Charged to profit or loss (<i>note 13</i>)	–	(13)	9	(4)
At 31 December 2017	–	71	39	110
Effect of adoption of HKFRS 9	–	33	–	33
At 1 January 2018 (restated)	–	104	39	143
Charged to profit or loss (<i>note 13</i>)	–	(27)	(4)	(31)
At 31 December 2018	–	77	35	112
Charged to profit or loss (<i>note 13</i>)	–	63	64	127
At 31 December 2019	–	140	99	239

The Group has tax losses arising in Mainland China of RMB2,797,000, nil, nil and RMB787,000 for the years ended 31 December 2016, 2017, 2018 and 2019, respectively, that are available in the next five years for offsetting against future taxable profits of the companies in which the losses arose. The Group has tax losses arising in Hong Kong of nil, nil, RMB9,000 and nil for the years ended 31 December 2016, 2017, 2018 and 2019, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

30. SHARE CAPITAL

The Company was incorporated on 4 September 2018 with an initial issued capital of HK\$0.01. The following changes in the Company's issued share capital took place during the period from 4 September 2018 to 31 December 2018.

	<i>Note</i>	Number of ordinary shares of HK\$0.01	Nominal value of ordinary shares HK\$
Issued:			
At 4 September 2018		<u>1</u>	<u>0.01</u>
Issue of share	(c)	<u>1</u>	<u>0.01</u>
At 31 December 2018		<u>2</u>	<u>0.02</u>
At 31 December 2019		<u>2</u>	<u>0.02</u>
(a) By an ordinary resolution passed at the shareholder's meeting held on 4 September 2018, Reid Services Limited, an independent third party, transferred the 1 fully-paid share of the Company to Pacific Ridge Enterprises Limited, an entity controlled by the Controlling Shareholder.			
(b) By an ordinary resolution passed at the shareholder's meeting held on 21 November 2018, Pacific Ridge Enterprises Limited transferred the 1 fully-paid share of the Company to Green Leaf Development Limited ("Green Leaf"), an entity controlled by the Controlling Shareholder.			
(c) By an ordinary resolution passed at the shareholder's meeting held on 24 December 2018, a total of 1 ordinary share of HK\$0.01 each was allotted and issued to Green Leaf.			
(d) By an ordinary resolution passed at the shareholder's meeting held on 24 January 2019, Green Leaf transferred the 2 fully-paid shares of the Company to Aztec Pearl Limited, an entity controlled by the Controlling Shareholder.			

No share options were granted or outstanding during the Relevant Periods.

31. RESERVES

The Group

- (i) The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Historical Financial Information.
- (ii) In accordance with the PRC Company Law, the PRC subsidiary of the Group is required to allocate 10% of its profit after tax to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of the registered capital of the PRC subsidiary. Subject to certain restrictions set out in the PRC Company Law, part of the SSR may be converted to increase paid-up capital/issued capital of the PRC subsidiary, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital. The SSR of the PRC subsidiary attributable to the parent was RMB1,529,000, RMB3,556,000, RMB6,630,000, and RMB9,746,000 as at 31 December 2016, 2017, 2018 and 2019, respectively.

The Company

	Share premium reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 4 September 2018	–	–	–	
Loss for the period	–	–	(3,579)	(3,579)
Other comprehensive loss for the period	–	(226)	–	(226)
Total comprehensive loss for the period	–	(226)	(3,579)	(3,805)
Issue of shares of the Company (first payment)*	7,105	–	–	7,105
At 31 December 2018 and 1 January 2019	7,105	(226)	(3,579)	3,300
Loss for the period	–	–	(6,341)	(6,341)
Other comprehensive loss for the period	–	313	–	313
Total comprehensive loss for the period	–	313	(6,341)	(6,028)
Issue of shares of the Company (second payment)*	7,701	–	–	7,701
At 31 December 2019	14,806	87	(9,920)	4,973

* Pursuant to the Subscription Agreement dated 24 December 2018, 1 ordinary share will be allotted to Green Leaf Development Limited, for a consideration of HKD17,000,000. On 24 December 2018, HKD8,000,000 (approximately RMB7,105,000) was paid to The Company, and on 7 March 2019, HKD9,000,000 (approximately RMB7,701,000) was paid.

32. DISPOSAL OF SUBSIDIARIES

On 31 March 2017, Eden Information announced the decision of its board of directors to dispose of Shenzhen Eden Xinrui Technology Ltd. (深圳市伊登信瑞科技有限公司) (“SysTime”). SysTime engages in the provision of IT technical training services. The disposal of SysTime was completed on 26 April 2017.

	Year ended 31 December			
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net assets disposed of:				
Property, plant and equipment	–	5	–	–
Financial assets at fair value through profit or loss	–	500	–	–
Cash and cash equivalents	–	50	–	–
Trade and bills receivables	–	761	–	–
Prepayments, deposits and other receivables	–	590	–	–
Trade payables	–	(532)	–	–
Other payables and accruals	–	(282)	–	–
Non-controlling interests	–	(535)	–	–
Loss on disposal of subsidiaries	–	(557)	–	–
	–	–*	–	–
Satisfied by:				
Cash	–	–*	–	–

* The amount is less than RMB500.

On 18 September 2017, Eden Information announced the decision of its board of directors to dispose of Guangzhou Edensoft Technology Ltd. (廣州伊登軟件科技有限公司) (“Guangzhou Edensoft”). Guangzhou Edensoft engages in providing IT infrastructure services and IT implementation and supporting services. The disposal of Guangzhou Edensoft was completed on 9 November 2017.

	Year ended 31 December			
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000
Net assets disposed of:				
Property, plant and equipment	–	30	–	–
Financial assets at fair value through profit or loss	–	3,200	–	–
Inventories	–	497	–	–
Cash and cash equivalents	–	4,091	–	–
Trade and bills receivables	–	1,096	–	–
Prepayments, deposits and other receivables	–	1,085	–	–
Right-of-use assets	–	147	–	–
Trade payables	–	(6,010)	–	–
Other payables and accruals	–	(983)	–	–
Lease liabilities	–	(147)	–	–
Non-controlling interests	–	(1,022)	–	–
Loss on disposal of subsidiaries	<u>–</u>	<u>(404)</u>	<u>–</u>	<u>–</u>
	<u>–</u>	<u>1,580</u>	<u>–</u>	<u>–</u>
Satisfied by:				
Cash	<u>–</u>	<u>1,580</u>	<u>–</u>	<u>–</u>

An analysis of the consolidated net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Year ended 31 December			
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000
Cash consideration	–	1,580	–	–
Cash and bank balances disposed of	<u>–</u>	<u>(4,141)</u>	<u>–</u>	<u>–</u>
Consolidated net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>–</u>	<u>(2,561)</u>	<u>–</u>	<u>–</u>

33. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings				
At beginning of year	25,945	59,621	11,605	5,951
New bank loans	152,271	17,558	34,898	105,433
Repayment of bank loans	(118,595)	(65,574)	(40,552)	(105,732)
At end of year	<u>59,621</u>	<u>11,605</u>	<u>5,951</u>	<u>5,652</u>

34. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's interest-bearing bank borrowings, factoring loans and letters of guarantee are included in notes 24 and 28, respectively, to the Historical Financial Information.

35. RELATED PARTY TRANSACTIONS AND BALANCES

- (1) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
An associate:				
Sales of products*	<u>—</u>	<u>—</u>	<u>—</u>	<u>708</u>

- (2) Other transactions with related parties:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Banking facilities and borrowings guaranteed by:				
Ms. Ding Xinyun**	<u>48,500</u>	<u>52,500</u>	<u>31,500</u>	<u>60,000</u>

(3) Balances with related parties

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Due from an associate:				
Mr. Ding Mingguang***	12	–	–	–
Fuzhou Donghu****	–	–	–	750
	<u>12</u>	<u>–</u>	<u>–</u>	<u>750</u>

(4) Compensation of key management personnel of the Group, including Directors' remuneration as detailed in note 11 above:

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	1,035	1,541	2,125	2,059
Pension scheme contributions	<u>140</u>	<u>208</u>	<u>287</u>	<u>262</u>
	<u>1,175</u>	<u>1,749</u>	<u>2,412</u>	<u>2,231</u>

* The sales to the associate was made according to the published prices and conditions offered to the major customers of the Group, with a credit term of 30 days.

** Controlling Shareholder of the Company.

*** Included in "Other payables and accruals" in the consolidated statements of financial position. The amount due to Mr. Ding Mingguang was non-trade in nature.

**** Included in "Trade and Bills receivables" in the consolidated statements of financial position, which are repayable on credit terms similar to those offered to the major customers of the Group.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each Relevant Periods are as follows:

31 December 2016

Financial assets

	Financial assets at fair value through profit or loss	Loans and receivables	Total
	Designated as such upon initial recognition RMB'000	RMB'000	RMB'000
Trade and bills receivables	–	66,736	66,736
Financial assets included in prepayments, deposits and other receivables	–	6,537	6,537
Financial assets at fair value through profit or loss	3,000	–	3,000
Pledged deposits	–	16,340	16,340
Cash and cash equivalents	–	43,429	43,429
	<u>3,000</u>	<u>133,042</u>	<u>136,042</u>

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	83,422	83,422
Financial liabilities included in other payables and accruals	219	219
Interest-bearing bank borrowings	59,621	59,621
Lease liabilities	<u>4,612</u>	<u>4,612</u>
	<u>147,874</u>	<u>147,874</u>

31 December 2017

Financial assets

	Financial assets at fair value through profit or loss		
	Designated as such upon initial recognition	Loans and receivables	Total
	RMB'000	RMB'000	RMB'000
Trade and bills receivables	–	57,574	57,574
Financial assets included in prepayments, deposits and other receivables	–	915	915
Financial assets at fair value through profit or loss	100	–	100
Pledged deposits	–	9,877	9,877
Cash and cash equivalents	–	13,997	13,997
	<u>100</u>	<u>82,363</u>	<u>82,463</u>

Financial liabilities

	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000
Trade payables	61,746	61,746
Financial liabilities included in other payables and accruals	2,012	2,012
Interest-bearing bank borrowings	11,605	11,605
Lease liabilities	<u>3,186</u>	<u>3,186</u>
	<u>78,549</u>	<u>78,549</u>

31 December 2018***Financial assets***

	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	93,524	93,524
Financial assets included in prepayments, deposits and other receivables	3,298	3,298
Pledged deposits	9,561	9,561
Cash and cash equivalents	<u>14,022</u>	<u>14,022</u>
	<u><u>120,405</u></u>	<u><u>120,405</u></u>

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	92,424	92,424
Financial liabilities included in other payables and accruals	4,239	4,239
Interest-bearing bank borrowings	5,951	5,951
Lease liabilities	<u>7,928</u>	<u>7,928</u>
	<u><u>110,542</u></u>	<u><u>110,542</u></u>

31 December 2019***Financial assets***

	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	101,236	101,236
Financial assets included in prepayments, deposits and other receivables	6,421	6,421
Pledged deposits	9,376	9,376
Cash and cash equivalents	<u>23,892</u>	<u>23,892</u>
	<u><u>140,925</u></u>	<u><u>140,925</u></u>

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	82,397	82,397
Financial liabilities included in other payables and accruals	2,870	2,870
Interest-bearing bank borrowings	5,652	5,652
Lease liabilities	5,443	5,443
	<u>96,362</u>	<u>96,362</u>

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2016, 2017, 2018 and 2019, the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	31 December 2016		31 December 2017		31 December 2018		31 December 2019	
	Carrying amounts RMB'000	Fair values RMB'000	Carrying amounts RMB'000	Fair values RMB'000	Carrying amounts RMB'000	Fair values RMB'000	Carrying amounts RMB'000	Fair values RMB'000
Financial assets at fair value through profit or loss	3,000	3,000	100	100	-	-	-	-

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, lease liabilities and interest-bearing bank borrowings approximate to their respective carrying amounts largely due to the short-term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2016

	Fair value measurement using			Total <i>RMB'000</i>
	Quoted prices	Significant	Significant	
	in active	observable	unobservable	
	markets	inputs	inputs	
	(Level 1)	(Level 2)	(Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit or loss	–	3,000	–	3,000

As at 31 December 2017

	Fair value measurement using			Total <i>RMB'000</i>
	Quoted prices	Significant	Significant	
	in active	observable	unobservable	
	markets	inputs	inputs	
	(Level 1)	(Level 2)	(Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit or loss	–	100	–	100

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Liabilities for which fair values are disclosed:

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings	<u>–</u>	<u>59,621</u>	<u>–</u>	<u>59,621</u>

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings	<u>–</u>	<u>11,605</u>	<u>–</u>	<u>11,605</u>

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings	<u>–</u>	<u>5,951</u>	<u>–</u>	<u>5,951</u>

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings	<u>–</u>	<u>5,652</u>	<u>–</u>	<u>5,652</u>

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, other receivables, trade payables, lease liabilities and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short-term debt obligations with floating interest rates. The contractual interest rates and terms of repayment of the interest-bearing bank borrowings of the Group are set out in note 28 to the Historical Financial Information.

The following table demonstrates the sensitivity to a reasonably possible change in the LPR base rate, with all other variables held constant, of the Group's profit before tax (through the impact of floating rate borrowings) and the Group's equity during the Relevant Periods.

	Increase/ (Decrease) in basis points	Increase/ (Decrease) in profit before tax RMB'000	Increase/ (Decrease) in equity** RMB'000
As at 31 December 2016			
LPR base rate	25	(108)	(92)
LPR base rate	(25)	108	92
As at 31 December 2017			
LPR base rate	25	(29)	(25)
LPR base rate	(25)	29	25
As at 31 December 2018			
LPR base rate	25	(15)	(13)
LPR base rate	(25)	15	13
As at 31 December 2019			
LPR base rate	25	—*	—*
LPR base rate	(25)	—*	—*

* The amount is less than RMB500.

** Excluding retained profits

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. None of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 93%, 93%, 78% and 78% of costs were denominated in the units' functional currencies for the years ended 31 December 2016, 2017, 2018 and 2019, respectively.

The following table demonstrates the sensitivity at the end of each Relevant Periods to a reasonably possible change in the US\$ and HK\$ exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity.

	Increase/ (Decrease) in exchange rate %	Increase/ (Decrease) in profit before tax RMB'000	Increase/ (Decrease) in equity* RMB'000
As at 31 December 2016			
If RMB weakens against US\$	(5)	(505)	(429)
If RMB strengthens against US\$	5	505	429
If RMB weakens against HK\$	(5)	–	–
If RMB strengthens against HK\$	5	–	–
As at 31 December 2017			
If RMB weakens against US\$	(5)	(486)	(413)
If RMB strengthens against US\$	5	486	413
If RMB weakens against HK\$	(5)	–	–
If RMB strengthens against HK\$	5	–	–
As at 31 December 2018			
If RMB weakens against US\$	(5)	(768)	(653)
If RMB strengthens against US\$	5	768	653
If RMB weakens against HK\$	(5)	164	164
If RMB strengthens against HK\$	5	(164)	(164)
As at 31 December 2019			
If RMB weakens against US\$	(5)	(360)	(306)
If RMB strengthens against US\$	5	360	306
If RMB weakens against HK\$	(5)	163	163
If RMB strengthens against HK\$	5	(163)	(163)

* Excluding retained profits

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure as at 31 December 2016 and 2017

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents, pledged deposits, financial assets at fair value through profit or loss, and financial assets included in prepayments, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The Group had certain concentrations of credit risk as 80%, 81%, 74% and 69% of the Group's trade and bills receivables were due from the Group's certain customers with the top five balances as at 31 December 2016, 2017, 2018 and 2019, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 20 to the Historical Financial Information.

Maximum exposure and year-end staging as at 31 December 2018 and 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018 and 2019. The amounts presented are gross carrying amounts for financial assets.

31 December 2018

	12-month ECLs	Lifetime ECLs	
	Stage 1	Simplified	Total
	RMB'000	approach	RMB'000
	RMB'000	RMB'000	RMB'000
Trade receivables*	–	93,674	93,674
Bills receivables	318	–	318
Contract assets*	–	8,835	8,835
Financial assets included in prepayments, deposits and other receivables	3,298	–	3,298
Pledged deposits	9,561	–	9,561
Cash and cash equivalents	14,022	–	14,022
	<u>27,199</u>	<u>102,509</u>	<u>129,708</u>

31 December 2019

	12-month ECLs	Lifetime ECLs Simplified approach	Total
	Stage 1 RMB'000	RMB'000	RMB'000
Trade receivables*	–	101,615	101,615
Bills receivables	450	–	450
Contract assets*	–	14,712	14,712
Financial assets included in prepayments, deposits and other receivables	6,421	–	6,421
Pledged deposits	9,376	–	9,376
Cash and cash equivalents	23,892	–	23,892
	<u>40,139</u>	<u>116,327</u>	<u>156,466</u>

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 20 and 22 to the Historical Financial Information.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding through capital contribution and financial support from related parties and bank borrowings.

The maturity profile of financial liabilities as at 31 December 2016, 2017, 2018 and 2019, based on the contractual undiscounted payments, was as follows:

	As at 31 December 2016			
	On demand	Less than 1 year	2 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	–	83,422	–	83,422
Financial liabilities included in other payables and accruals	12	207	–	219
Interest-bearing bank borrowings	–	60,198	–	60,198
Lease liabilities	–	1,531	3,397	4,928
	<u>12</u>	<u>145,358</u>	<u>3,397</u>	<u>148,767</u>

As at 31 December 2017				
	On demand	Less than 1 year	2 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	–	61,746	–	61,746
Financial liabilities included in other payables and accruals	1,500	512	–	2,012
Interest-bearing bank borrowings	–	11,806	–	11,806
Lease liabilities	–	1,244	2,153	3,397
	<u>1,500</u>	<u>75,308</u>	<u>2,153</u>	<u>78,961</u>
As at 31 December 2018				
	On demand	Less than 1 year	2 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	–	92,424	–	92,424
Financial liabilities included in other payables and accruals	1,500	2,739	–	4,239
Interest-bearing bank borrowings	–	5,980	–	5,980
Lease liabilities	–	2,953	5,532	8,485
	<u>1,500</u>	<u>104,096</u>	<u>5,532</u>	<u>111,128</u>
As at 31 December 2019				
	On demand	Less than 1 year	2 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	–	82,397	–	82,397
Financial liabilities included in other payables and accruals	–	2,870	–	2,870
Interest-bearing bank borrowings	–	5,672	–	5,672
Lease liabilities	–	3,287	2,395	5,682
	<u>–</u>	<u>94,226</u>	<u>2,395</u>	<u>2,870</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016, 2017, 2018 and 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated as interest-bearing bank borrowings, lease liabilities, trade payables, financial liabilities included in other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of each Relevant Periods is as follows:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings	59,621	11,605	5,951	5,652
Lease liabilities	4,612	3,186	7,927	5,443
Trade payables	83,422	61,746	92,424	82,397
Financial liabilities included in other payables and accruals	219	2,012	4,239	2,870
Less: Cash and cash equivalents	<u>(43,429)</u>	<u>(13,997)</u>	<u>(14,022)</u>	<u>(23,892)</u>
Net debt	<u>104,445</u>	<u>64,552</u>	<u>96,519</u>	<u>72,470</u>
Equity attributable to owners of the parent	<u>26,179</u>	<u>44,210</u>	<u>65,158</u>	<u>96,261</u>
Capital and net debt	<u><u>130,624</u></u>	<u><u>108,762</u></u>	<u><u>161,677</u></u>	<u><u>168,731</u></u>
Gearing ratio	<u>80%</u>	<u>59%</u>	<u>60%</u>	<u>43%</u>

39. EVENTS AFTER THE RELEVANT PERIODS

There were no material subsequent events after 31 December 2019 and up to the date of approval of these financial statements.

40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2019.

The information set forth in this Appendix does not form part of the Accountants' Report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this Prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountants' Report set forth in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules is for the purpose of illustrating the effect of the Share Offer as if it had taken place on 31 December 2019 and based on the audited consolidated net tangible assets attributable to equity shareholders of the Company as at 31 December 2019 as shown in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus, and adjusted as described below.

The unaudited pro forma adjusted consolidated net tangible assets of the Group have been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of our financial position of the Group had the Share Offer been completed as at 31 December 2019 or at any future dates following the Share Offer.

	Audited consolidated net tangible assets attributable to equity shareholders of the Company as at December 31, 2019 RMB'000 (Note 1)	Estimated net proceeds from the Share Offer RMB'000 (Note 2 and 4)	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company RMB'000	Unaudited pro forma adjusted consolidated net tangible assets per Share RMB HK\$ equivalent (Note 3)	
Based on an Offer Price of HK\$0.25 per Share	96,261	80,694	176,955	0.09	0.10

Notes:

- 1 The consolidated net tangible assets attributable to equity shareholders of the Company as at 31 December 2019 is extracted from the Accountants' Report, the text of which is set out in Appendix I to this Prospectus.
- 2 The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$0.25 per Share, after deduction of the estimated expenses relating to the Share Offer expected to be incurred by the Group subsequent to 31 December 2019, which mainly include professional fees for the Sole Sponsor, the Company's legal advisers and reporting accountants, underwriting fees and other listing related expenses, excluding listing expenses of approximately RMB14,164,000 which have been accounted for prior to 31 December 2019, and 500,000,000 Shares expected to be issued under the Share Offer.
- 3 The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in note 2 above and on the basis of 2,000,000,000 Shares expected to be in issue immediately following completion of the Share Offer.
- 4 The estimated net proceeds from the Share Offer are converted into Chinese Renminbi at an exchange rate of HK\$1.00 to RMB0.8940 as of 31 December 2019.
- 5 No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2019.

B. REPORTING ACCOUNTANTS' ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purposes for inclusion in this Prospectus, in respect of the additional unaudited pro forma financial information of our Group.

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

To the Directors of Edensoft Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Edensoft Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2019 and related notes (the "Pro Forma Financial Information") as set out on Appendix II of the prospectus dated 23 April 2020 issued by the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the share offer of shares of the Company on the Group's financial position as at 31 December 2019 as if the transaction had taken place at 31 December 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 31 December 2019, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

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

Our independence and quality control

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

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

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

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

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

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the share offer of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

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

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

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Certified Public Accountants
Hong Kong

23 April 2020

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 4 September 2018 under the 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 14 April 2020. 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 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 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 member being a corporation, by its duly authorised 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 cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the 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.

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 recognise 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 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.

(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 instalments. If the sum payable in respect of any call or instalment 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 instalments 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 instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment 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.

(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.

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 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.

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 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 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 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.

(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.

(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 favour 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 realised 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.

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 underwriting or sub-underwriting 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.

(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 authorised 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 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 authorised 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 authorised 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 instalments 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 authorised 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.

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 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 authorised 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 authorised 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 authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised 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 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 other than the year of the Company's adoption of the Articles. 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 authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(v) 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.

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 Companies Law and the 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.

(vi) 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 authorised 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.

(vii) 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 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 authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised 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 favour 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 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 Companies Law or ordered by a court of competent jurisdiction or authorised 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.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised 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 members that have consented and elected to receive the summarised 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 members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

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, instalments 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
- (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 instalments 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.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed 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 summarised 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, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, 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 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.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the 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 4 September 2018 subject to the 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 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 authorised share capital.

(b) Share capital

Under 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 Companies Law;
- (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 authorised 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 authorised 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 authorised 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 authorise 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 cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

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 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.

(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 (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary 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
 - (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 (2018 Revision).

The undertaking for the Company is for a period of 20 years from 11 September 2018.

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 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 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(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 authorised 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.

(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 adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the 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.

A. FURTHER INFORMATION ABOUT OUR COMPANY**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 4 September 2018. Our Company established a principal place of business in Hong Kong at Room 1603, 16/F., China Building, 29 Queen's Road Central, Central, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 23 July 2019. Loong & Yeung of Room 1603, 16/F., China Building, 29 Queen's Road Central, Central, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of our constitution is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, the authorised share capital was HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each. One fully-paid Share was allotted and issued to the initial subscriber, which was later transferred to Pacific Ridge on 4 September 2018. As part of the Reorganisation, on 21 November 2018, Pacific Ridge transferred the one fully-paid Share of our Company to Green Leaf at a consideration of HK\$0.01.
- (b) Pursuant to a Subscription Agreement made between Green Leaf, our Company and Ms. Ding dated 24 December 2018, Green Leaf agreed to subscribe, and our Company agreed to allot and issue, 1 share of our Company at a consideration of HK\$17,000,000. As a result of the Subscription, 1 Share of our Company was allotted and issued to Green Leaf on 27 December 2018. Since then, 2 Shares of our Company were held by Green Leaf. As part of the Reorganisation, on 24 January 2019, the 2 Shares of our Company held by Green Leaf were transferred to Aztec Pearl on 24 January 2019 by virtue of the Family Trust and pursuant to a Deed of Gift made between Ms. Ding and Tricor Equity Trustee dated 24 January 2019.
- (c) On 14 April 2020, our Shareholders resolved to increase the authorised share capital of our Company from HK\$380,000 divided into 38,000,000 shares of par value HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 shares of par value HK\$0.01 each by the creation of 4,962,000,000 additional Shares of par value HK\$0.01 each, each ranking *pari passu* with the Shares then in issue in all respects.
- (d) Immediately following completion of the Capitalisation Issue and the Share Offer, and taking no account of any Share which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, 2,000,000,000 Shares will be issued fully paid or credited as fully paid, and 3,000,000,000 Shares will remain unissued.
- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "3. Written resolutions of our sole Shareholder passed on 14 April 2020" in this Appendix and pursuant to the Over-allotment Option and the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

- (f) Save as disclosed in the section headed “Share Capital” in this prospectus and in this paragraph headed “Changes in share capital of our Company”, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of our sole Shareholder passed on 14 April 2020

Pursuant to the written resolutions of our sole Shareholder passed on 14 April 2020, *inter alia*:

- (a) our Company approved and adopted the Memorandum and the Articles, the terms of which are summarised in Appendix III to this prospectus;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 Shares of par value HK\$0.01 each by the creation of an additional of 4,962,000,000 new Shares of par value HK\$0.01 each, each ranking *pari passu* in all respects with our Shares in issue at the date of passing of these resolutions;
- (c) conditional on the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme and the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Share Offer and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer and any Shares which may be required to be allotted and issued upon the exercise of the Over-allotment Option to rank *pari passu* with the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” of this Appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, subject to the terms and conditions of the Share Option Scheme to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme; and
 - (iii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, the Capitalisation Issue be approved, and our Directors were authorised to capitalise an amount of HK\$14,999,999.98 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 1,499,999,998 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 14 April 2020 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking *pari passu* in all respects with our Shares then in issue, and our Directors were authorised to give effect to such capitalisation and distributions;

- (d) 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 or an issue of Shares pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Capitalisation Issue and the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require the exercise of such power, with such number of Shares not exceeding 20% of the total number of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the total number of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the total number of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing, details of which are set out in the paragraph headed “History and Reorganisation – Reorganisation” of this prospectus. Following the Reorganisation, our Company became the holding company of our Group.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant’s Report, the text of which is set forth in Appendix I to this prospectus. Save as mentioned in the paragraph headed “History and Reorganisation – Reorganisation”, there has been no change in the share capital of the subsidiaries of our Company during the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in the prospectus concerning the repurchase of our Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders’ approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on 14 April 2020, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares representing up to 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Share which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of funds

Any repurchase must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the Listing Rules. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "core connected person" (as defined in the Listing Rules), which includes a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 2,000,000,000 Shares in issue after completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, could accordingly result in up to 200,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchased Mandate must be fully paid up.

(d) Funding of repurchase

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company 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 Listing Rules, the Articles and the applicable laws from time to time in force in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence which may arise under the Takeovers Code as a result of a repurchase of Shares if made immediately after the Listing pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that the Directors exercise the power in full to repurchase the Shares 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 Listing Rules). No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following 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 prospectus and are or may be material:




- (a) an equity transfer agreement (股權轉讓協議書) in Chinese dated 25 October 2018 entered into between Ms. Ding and Mr. MG Ding, pursuant to which Mr. MG Ding transferred his 7.5795% equity interests in Eden Information to Ms. Ding, at the consideration of RMB3,632,463;
- (b) an equity transfer agreement (股權轉讓協議書) in Chinese dated 25 October 2018 entered into between Ms. Ding and Mr. Chen Zhen (陳振), pursuant to which Mr. Chen Zhen (陳振) transferred his 1.3% equity interests in Eden Information to Ms. Ding, at the consideration of RMB623,022;
- (c) an equity transfer agreement (股權轉讓協議書) in Chinese dated 25 October 2018 entered into between Ms. Ding and Mr. HG Ding, pursuant to which Mr. HG Ding transferred his 0.9% equity interests in Eden Information to Ms. Ding, at the consideration of RMB431,327;
- (d) bought & sold notes and an instrument of transfer both dated 2 November 2018 entered into between Ms. Ding and Frontier View in respect of the transfer of one ordinary share of Edensoft International from Ms. Ding to Frontier View at a consideration of HK\$1;

- (e) an instrument of transfer dated 21 November 2018 entered into between Ms. Ding and our Company in respect of the transfer of one ordinary share of Frontier View from Ms. Ding to our Company at a consideration of US\$1;
- (f) an instrument of transfer dated 21 November 2018 entered into between Pacific Ridge and Green Leaf in respect of the transfer of one ordinary Share of our Company from Pacific Ridge to Green Leaf, at a consideration of HK\$0.01;
- (g) a subscription agreement dated 24 December 2018 entered into among Green Leaf, our Company and Ms. Ding, pursuant to which Green Leaf subscribed one ordinary Share of our Company at a consideration of HK\$17,000,000;
- (h) an instrument of transfer dated 24 January 2019 entered into between Green Leaf and Aztec Pearl in respect of the transfer of the two ordinary Shares of our Company from Green Leaf to Aztec Pearl at nil consideration;
- (i) an equity transfer agreement (股權轉讓協議書) in Chinese dated 28 November 2018 entered into between Ms. Ding and Mr. Ho, pursuant to which Ms. Ding transferred her 1% equity interest in Eden Information to Mr. Ho at a consideration of RMB477,953;
- (j) an equity transfer agreement (股權轉讓協議書) in Chinese dated 28 January 2019 entered into between Qiankun Investment and Shenzhen Yundeng, pursuant to which Qiankun Investment transferred its 22.005% equity interests in Eden Information to Shenzhen Yundeng at a consideration of RMB220,000;
- (k) an equity transfer agreement (股權轉讓協議書) in Chinese dated 28 January 2019 entered into between Ms. Ding and Shenzhen Yundeng, pursuant to which Ms. Ding transferred her 76.995% equity interests in Eden Information to Shenzhen Yundeng, at the total consideration of RMB770,000;
- (l) a deed dated 28 January 2019 entered into between Mr. Ho and our Company, pursuant to which our Company (for itself and as trustee for and on behalf of our Group) agrees to pay a sum of RMB120,000 to Mr. Ho for his contribution in the reorganisation of our Group;
- (m) an equity transfer agreement (股權轉讓協議書) in Chinese dated 28 January 2019 entered into between Mr. Ho and Shenzhen Yundeng, pursuant to which Mr. Ho transferred his 1% equity interest in Eden Information to Shenzhen Yundeng at a consideration of RMB477,953;
- (n) the Deed of Indemnity; and
- (o) the Hong Kong Public Offering Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group was the registered owner of the following trademarks in the PRC and Hong Kong, which are material in relation to our business:

Trademark	Class	Registration Number	Place of Registration	Registered Owner	Term
	38	16958586	PRC	Eden Information	21 July 2016 to 20 July 2026
伊登云	38	12924732	PRC	Eden Information	14 December 2014 to 13 December 2024
伊登	38	12712062	PRC	Eden Information	21 October 2014 to 20 October 2024
	42	4652051	PRC	Eden Information	7 November 2019 to 6 November 2029
伊登	42	4652052	PRC	Eden Information	28 December 2018 to 27 December 2028
	42	4652054	PRC	Eden Information	7 November 2019 to 6 November 2029
eden SOFT	42	304682160	Hong Kong	Edensoft International	27 September 2018 to 26 September 2028

(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names:

Registrant	Domain Name	Registration Date	Expiry Date
Eden Information	edensoft.com.cn	15 March 1999	15 March 2025
Eden Information	edensoft.cn	17 March 2003	17 March 2025
Eden Information	edenyun.com	22 April 2013	22 April 2020
Eden Information	modernwork.com.cn	28 December 2018	28 December 2021
Dongguan Edensoft	yidyun.com	11 August 2015	11 August 2022

(c) Copyrights

As at the Latest Practicable Date, our Group was the registered proprietor of various copyrights in the PRC which, in the opinion of our Directors, are material to our business:

Item no.	Name of Registered Proprietor	Copyright number	Copyright	Date of first publication of the copyright	Registration date
1	Eden Information	2014SR115964	Eden sales management system V1.0* (伊登銷售管理系統V1.0)	8 October 2012	8 August 2014
2	Eden Information	2013SR074996	Eden wise commercial on-line platform system V3.0* (伊登智慧商務在線平台系統V3.0)	30 April 2013	27 July 2013
3	Eden Information	2014SR118893	Eden sales results analysis management system V1.0* (伊登銷售績效分析管理系統V1.0)	4 March 2013	12 August 2014
4	Eden Information	2014SR102913	Eden worktime management system V1.0* (伊登工時管理系統V1.0)	8 June 2013	22 July 2014
5	Eden Information	2014SR118640	Eden corporate office system V1.0* (伊登企業辦公系統V1.0)	18 March 2014	12 August 2014
6	Eden Information	2014SR115806	Eden vehicle navigation advanced system V1.0* (伊登車載導航升級系統V1.0)	8 January 2014	8 August 2014
7	Eden Information	2014SR118191	Eden consolidation identity verification system V1.0* (伊登統一身份驗證系統V1.0)	21 October 2013	12 August 2014
8	Eden Information	2013SR072834	Eden cloud extra assistance software V1.0* (伊登雲郵大附件助手軟件V1.0)	10 May 2013	24 July 2013
9	Eden Information	2017SR022027	Eden society membership management system V1.0* (伊登社區會員管理系統V1.0)	19 July 2016	22 January 2017
10	Eden Information	2015SR178090	Eden property operation payment system V1.0* (伊登物業經營收費系統V1.0)	28 July 2015	14 September 2015
11	Eden Information	2015SR154055	Eden icloud software V1.0* (伊登Eden icloud軟件V1.0)	20 July 2015	10 August 2015
12	Eden Information	2016SR046760	Eden electronic office flowpath management system V1.0* (伊登電子辦公流程管理系統V1.0)	18 December 2015	7 March 2016
13	Eden Information	2016SR358986	Eden iCloud Web software* (伊登iCloud Web軟件v1.0)	29 June 2016	7 December 2016
14	Eden Information	2016SR359929	Eden iCloud PR software* (伊登iCloud PR軟件V1.0)	29 April 2016	8 December 2016
15	Eden Information	2017SR021963	Eden membership information management system V1.0* (伊登會員信息管理系統V1.0)	19 August 2016	22 January 2017
16	Eden Information	2017SR022023	Eden general CRM customer management system V1.0* (伊登通用型CRM客戶管理系統V1.0)	15 June 2016	22 January 2017
17	Eden Information	2017SR022020	Eden CRM customer management system V1.0* (伊登CRM客戶管理系統V1.0)	7 September 2016	22 January 2017
18	Eden Information	2017SR408014	Power Openstack software and hardware resources management system V1.0* (基於開源Openstack的軟硬件資源池管理系統V1.0)	1 June 2017	28 July 2017

Item no.	Name of Registered Proprietor	Copyright number	Copyright	Date of first publication of the copyright	Registration date
19	Eden Information	2017SR520501	Massive automatic test internal system V1.0* (大規模自動化測試的內核系統V1.0)	20 July 2017	15 September 2017
20	Eden Information	2017SR562533	Appliances test automatic privatisation cloud management platform V1.0* (裝備測試自動化私有雲管理平台V1.0)	7 August 2017	11 October 2017
21	Eden Information	2017SR714546	Appliances test intelligent supervision system V1.0* (裝備測試智能監控系統V1.0)	20 October 2017	21 December 2017
22	Eden Information	2018SR114298	Eden office sharing management system V1.0* (伊登文檔共享管理系統V1.0)	15 June 2017	22 February 2018
23	Eden Information	2018SR114501	Eden facial identification system V1.0* (伊登人臉識別系統V1.0)	24 October 2017	22 February 2018
24	Eden Information	2018SR114517	Eden service billing management system V1.0* (伊登服務工單管理系統V1.0)	11 October 2017	22 February 2018
25	Eden Information	2018SR114471	Local and cloud information automatic copying system V1.0* (本地與雲端資料自動備份系統V1.0)	15 August 2017	22 February 2018
26	Eden Information	2018SR114489	Intelligent storage comparison system V1.0* (智能倉儲比對系統V1.0)	24 August 2017	22 February 2018
27	Eden Information	2018SR239290	Eden intelligence storage management system based on corporate skydrive V1.0* (基於企業網盤的伊登知識庫管理系統V1.0)	5 December 2017	10 April 2018
28	Eden Information	2018SR221043	Back office integration system V1.0* (後勤一體化系統V1.0)	17 November 2017	30 March 2018
29	Eden Information	2018SR207448	Eden Citrix virtue desktop portal & back office operation management platform V1.0* (伊登Citrix虛擬桌面Portal&後台運營管理平台V1.0)	4 December 2017	27 March 2018
30	Eden Information	2011SR103030	Eden electronic commercial shopping system software V1.0* (伊登電子商城網上購物系統軟件V1.0)	8 October 2011	29 December 2011
31	Eden Information	2011SR103032	Eden customer relation management system V1.0* (伊登客戶關係管理系統軟件V1.0)	19 March 2011	29 December 2011
32	Eden Information	2011SR102535	Eden intellectual property management system software V3.0* (伊登知識管理系統軟件V3.0)	20 August 2011	28 December 2011
33	Eden Information	2011SR102534	Eden business flowpath management system software V2.0* (伊登業務流程管理系統軟件V2.0)	10 October 2011	28 December 2011
34	Eden Information	2011SR103034	Eden press office software system V1.0* (伊登傳媒辦公系統軟件V1.0)	8 December 2010	29 December 2011
35	Eden Information	2011SR103792	Eden enterprise information management platform V3.0* (伊登企業信息管理平台軟件V3.0)	8 October 2011	30 December 2011

Item no.	Name of Registered Proprietor	Copyright number	Copyright	Date of first publication of the copyright	Registration date
36	Eden Information	2019SR0142878	Mobile application installation management platform (abbreviated name: Mofang)V1.0* (移動應用配置管理平台(簡稱: 魔方)V1.0)	10 December 2018	14 February 2019
37	Eden Information	2019SR0139243	SAAS platform management system V1.0* (SAAS平台管理系統V1.0)	22 November 2018	14 February 2019
38	Eden Information	2019SR0139241	SaaS Mobile payment interconnection system V1.0* (SaaS移動支付對接系統V1.0)	2 October 2018	14 February 2019
39	Eden Information	2019SR0139223	Hierarchical model management system V1.0* (上下文模型管理系統V1.0)	20 July 2018	14 February 2019
40	Eden Information	2019SR0146594	SaaS platform consolidated identity accreditation system V1.0* (SaaS平台統一身份認證系統V1.0)	30 November 2018	15 February 2019
41	Eden Information	2019SR0146174	Customer back platform management system V1.0* (客服後台管理系統V1.0)	20 October 2018	15 February 2019
42	Eden Information	2019SR0146167	Manual on-line customer service system V1.0* (人工在線客服系統V1.0)	20 October 2018	15 February 2019
43	Eden Information	2019SR0146157	SaaS product management system V1.0* (SaaS產品管理系統V1.0)	30 November 2018	15 February 2019
44	Eden Information	2019SR0146146	SaaS back platform management system V1.0* (SaaS後台管理系統V1.0)	30 November 2018	15 February 2019
45	Eden Information	2019SR0139126	Diagrammatic identification system V1.0* (意圖識別系統V1.0)	20 July 2018	14 February 2019
46	Eden Information	2018SR643034	Cross platform mail large attachment assistant software V1.0* (跨平台郵件大附件助手軟件V1.0)	10 May 2018	13 August 2018
47	Eden Information	2018SR643021	Cloud desktop management assistant software V1.0* (雲桌面管理助手軟件V1.0)	4 June 2018	13 August 2018
48	Eden Information	2019SR0188402	Cloud Document Management System V1.0* (雲文檔管控系統V1.0)	18 October 2018	27 February 2019
49	Eden Information	2019SR0188396	Exchange-based organizational structure address book system (abbreviated name: organizational structure address book) V1.0* (基於exchange的組織結構位址簿系統(簡稱: 組織結構位址簿)V1.0)	20 September 2018	27 February 2019
50	Eden Information	2019SR0228451	Product outlook intelligence examination and testing system V1.0* (產品外觀智能檢測系統V1.0)	18 January 2019	8 March 2019
51	Eden Information	2018SR814321	Intelligence storage safe backstage management system* (智能倉儲後台管理系統V1.0)	21 June 2018	12 October 2018
52	Eden Information	2018SR814276	Intelligence storage safe control system V1.0* (智能倉儲控制系統V1.0)	21 June 2018	12 October 2018
53	Eden Information	2018SR814455	Intelligence storage safe mobile office system V1.0* (智能倉儲移動辦公系統V1.0)	21 June 2018	12 October 2018
54	Eden Information	2018SR814311	Intelligence storage safe composite management platform* (智能倉儲綜合管理平台V1.0)	21 June 2018	12 October 2018

Item no.	Name of Registered Proprietor	Copyright number	Copyright	Date of first publication of the copyright	Registration date
55	Eden Information	2019SR1034989	ISO documents control system V1.0* (ISO文控系統V1.0)	2 August 2019	12 October 2019
56	Eden Information	2019SR1040858	Documents management system V1.0* (檔案管理系統V1.0)	2 August 2019	14 October 2019
57	Eden Information	2019SR1037623	Contracts management system V1.0* (合同管理系統V1.0)	2 August 2019	14 October 2019
58	Eden Information	2019SR1037641	Enterprise netdisc license rights control system V1.0* (企業網盤許可權控制系統V1.0)	2 August 2019	14 October 2019
59	Eden Information	2019SR1038298	Netdisc uploading management system V1.0* (網盤上傳管理系統V1.0)	2 August 2019	14 October 2019
60	Eden Information	2019SR1039968	Netdisc downloading service system V1.0* (網盤下載服務系統V1.0)	2 August 2019	14 October 2019
61	Eden Information	2019SR0633789	Enterprise control back platform software V1.0* (企業控制後台軟件V1.0)	26 March 2019	19 June 2019
62	Eden Information	2019SR0637538	Enterprise network used system V1.0* (企業網盤用系統V1.0)	13 March 2019	20 June 2019
63	Eden Information	2019SR0633446	Office online work system V1.0* (office在線辦公系統V1.0)	14 January 2019	19 June 2019
64	Eden Information	2019SR0633443	Back platform report service software V1.0* (後台報表服務軟件V1.0)	18 March 2019	19 June 2019
65	Eden Information	2019SR0633572	Enterprise network mobile software V1.0* (企業網盤移動軟件V1.0)	12 February 2019	19 June 2019
66	Eden Information	2020SR0271959	Intelligent warehouse two-dimensional code recognition system V.1.0* (智慧倉儲二維碼識別系統V1.0)	13 January 2020	18 March 2020
67	Eden Information	2020SR0266656	Network disk mobile payment docking system V1.0* (網盤移動支付對接系統V1.0)	10 January 2020	18 March 2020
68	Eden Information	2020SR0266820	Smart Storage Asset USB Scanning System V1.0* (智慧倉儲資產USB掃描系統V1.0)	10 January 2020	18 March 2020

3. Information about the PRC subsidiaries of our Group**(a) Shenzhen Yundeng Technology Ltd.* (深圳市雲登科技有限公司)**

Date of establishment:	19 December 2018
Corporate nature:	Limited liability company (wholly foreign-owned enterprise)
Total registered capital:	RMB1,000,000
Term:	Long-term
Scope of business:	General scope of business: Technological development and sales of computer software and equipment, import and export related supporting business; Licence scope of business: Sales of class 2 medical equipment
Legal representative:	Ms. Ding Xinyun

(b) Eden Information Service Limited* (深圳市伊登軟件有限公司)

Date of establishment:	21 November 2002
Corporate nature:	Limited liability company
Total registered capital:	RMB30,345,010
Term:	Long-term
Scope of business:	Technological development and sales of computer software and equipment (excluding franchise, special control specialty stores and restricted projects), system integration, information consultation (excluding restricted items), development and sale of communication products (excluding franchise, special control specialty stores and restricted projects), operation of import and export business.
Legal representative:	Ms. Ding Xinyun

(c) Dongguan Edensoft Ltd.* (東莞市伊登軟件有限公司)

Date of establishment:	11 October 2013
Corporate nature:	Limited liability company
Total registered capital:	RMB10,000,000
Term:	Long-term
Scope of business:	Technology development; sales and technology transfer of computer hardware and software; communication products; computer system integration; computer information consultation
Legal representative:	Ms. Liu Weihua

(d) Fuzhou Donghu Education Technology Ltd* (福州東湖教育科技有限公司)

Date of establishment:	25 December 2017
Corporate nature:	Limited liability company
Total registered capital:	RMB5,000,000
Term:	Long-term
Scope of business:	R&D of education software; sales, maintenance and technological services of education software; technological services of computers; labour information consultation; network information consultation; exchange and planning of cultural and art; conference and exhibition services
Legal representative:	Mr. Yan Peng

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

- (a) Immediately following completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in the shares, underlying shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, 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 any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) *Long position in our Shares*

Name of Director	Capacity/Nature	Number of Shares held/interested in	Percentage of interest in our
			Company immediately following the completion of the Share Offer and the Capitalisation Issue
Ms. Ding (<i>Note</i>)	Settlor of the Family Trust and beneficial interest	1,500,000,000	75%

Note: The Family Trust, a revocable discretionary trust established by Ms. Ding (as the settlor and protector) for the benefit of Green Leaf and the son of Ms. Ding, with Tricor Equity Trustee acting as the trustee, holds the entire issued share capital of Aztec Pearl. Ms. Ding beneficially owns the entire issued share capital of Green Leaf. Therefore, Ms. Ding is deemed to be interested in 1,500,000,000 Shares held by Aztec Pearl for the purpose of the SFO. Ms. Ding is the sole director of Green Leaf.

(ii) *Long position in the ordinary shares of associated corporation*

Name of Director	Name of associated corporation	Capacity/Nature	Number of Share(s) held/interested in	Percentage of interest
Ms. Ding	Green Leaf	Beneficial owner	1	100%

- (b) So far as is known to our Directors and taking no account of any Shares which may be taken up under the Share Offer, and Shares to be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in 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, who are, 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 any other member of our Group:

Long Position in our Company

Name	Capacity/Nature of interest	Number of Shares held/ Interested in	Percentage of interest in our Company immediately following the completion of the Share Offer and the Capitalisation Issue
Aztec Pearl (Note 1)	Registered Owner	1,500,000,000	75%
Tricor Equity Trustee (Note 2)	Trustee of the Family Trust and interest in a controlled corporation	1,500,000,000	75%
Ms. Ding (Note 1)	Settlor of the Family Trust and beneficial interest	1,500,000,000	75%
Green Leaf (Note 1)	Beneficiary of the Family Trust	1,500,000,000	75%
Mr. Cai (Note 1)	Beneficiary of the Family Trust	1,500,000,000	75%
Mr. Yan Shi (Note 3)	Interest of a spouse	1,500,000,000	75%

Note 1: Aztec Pearl is wholly-owned by Tricor Equity Trustee acting as the trustee of the Family Trust. The Family Trust is a revocable discretionary trust established by Ms. Ding as the settlor and protector. The beneficiaries of the Family Trust are Green Leaf and Mr. Cai. Ms. Ding is deemed to be interested in 1,500,000,000 Shares held by the Family Trust.

Note 2: Tricor Equity Trustee is the trustee of the Family Trust and holds 100% issued share capital of Aztec Pearl, thus Tricor Equity Trustee is deemed to be interested in all the Shares held by Aztec Pearl for the purpose of the SFO.

Note 3: Mr. Yan Shi is the spouse of Ms. Ding. Therefore, Mr. Yan Shi is deemed, or taken to be, interested in all the Shares in which Ms. Ding has, or is deemed to have, an interest for the purpose of the SFO.

(c) **Interests of the Substantial Shareholders of any member of our Group (other than our Company)**

Name of shareholders	Name of subsidiary of our Company	Capacity/Nature of interest	Immediately following the completion of the Capitalisation Issue and the Share Offer	Approximate percentage of equity interests in the subsidiary of our Company
			Equity interests (RMB'000)	
Fuzhou Career Technical Institute* (福州職業技術學院)	Fuzhou Donghu	Beneficial owner of Fuzhou Fuzhi Yunzhi Education Investment Co., Ltd.* (福州福職蘊智教育投資有限公司)	2,550	51%
Chen Liangsong (陳良松)	Fuzhou Donghu	Beneficial owner of Fujian Xindonghu Technology Development Co., Ltd.* (福建新東湖科技發展有限公司)	1,250	25%
Chen Xin (陳鑫)	Fuzhou Donghu	Beneficial owner of Fujian Xindonghu Technology Development Co., Ltd.* (福建新東湖科技發展有限公司)	1,250	25%

Save as set out above, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Share Offer and the Capitalisation Issue be interested, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of our Group (other than our Company) or any options in respect of such class of share capital.

2. Particulars of service agreements

No Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

- (a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the four years ended 31 December 2019 were approximately RMB0.8 million, RMB1.1 million, RMB1.4 million and RMB1.4 million, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2020 will be approximately RMB2.3 million.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Company to each of our Directors will be as follows:

HK\$

Executive Directors

Ms. Ding Xinyun	360,000
Ms. Li Yi	300,000
Mr. Ling Yunzhi	300,000
Ms. Peng Dongping	300,000

Independent non-executive Directors

Mr. Yu Kwok Leung	120,000
Mr. Ho Ka Chun	120,000
Mr. Liang Chi	120,000

- (d) None of the directors waived any emoluments during the Track Record Period. In addition, no emoluments were paid by our Group to the directors as an inducement to join or upon joining our Group or as compensation for loss of office.

4. Fees or commission received

Save as disclosed in the section headed "Underwriting" in this prospectus, none of our Directors or the experts named in the paragraph headed "E. Other Information – 7. Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under note 35 to the Accountant's Report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed “E. Other Information – 6. Qualifications of experts” in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed “E. Other Information – 6. Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors or the experts named in the paragraph headed “E. Other Information – 6. Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (e) taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and the Share Offer, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (f) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, 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 any interests and short positions which he will be 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, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange;
- (g) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the top five customers or the top five suppliers of our Group; and
- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 14 April 2020. The following is a summary of the principal terms of the Share Option Scheme but does not form, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

1. Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	14 April 2020, the date on which the Share Option Scheme is conditionally adopted by the sole Shareholder by way of written resolution
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealings in securities
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth (10th) anniversary thereof

2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on 14 April 2020:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(b) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, where required under the Listing Rules, our independent non-executive Directors) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of our Group.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any Business Day fall within the period before listing.

(d) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(e) Maximum number of Shares

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 200,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 200,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (ii) The 10% limit as mentioned in the sub-paragraph (i) above may be refreshed at any time by approval of the Shareholders in general meeting provided that 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 share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the Listing Rules in this regard.

- (iii) Our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such specified grantees, the number and terms of such options to be granted and the purpose of granting options to such specified grantees with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.
- (iv) The aggregate 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 any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(f) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such 1% limit must be separately approved by our Shareholders in general meeting with such participant and his close associates abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the participant, the number and terms of the options to be granted (and options previously granted to such person), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted to such participant must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(g) Grant of options to certain connected persons

Notwithstanding the aforesaid,

- (i) any grant of an option to a Director, chief executive or substantial Shareholder of our Company (or any of their respective close associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (ii) where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other share option schemes of our Company in any 12-month period up to and including the date of grant:
 - (a) representing in aggregate over 0.1% of the Shares in issue; and
 - (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by our Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by our Shareholders in the aforesaid manner.

(h) Restrictions on the times of grant of options

- (i) Our Company may not grant any options after inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
 - (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
 - (b) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules),and ending on the date of the results announcement.
- (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published:
 - (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten (10) years from the date of grant subject to the provisions of early termination thereof.

(j) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(k) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment 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 on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(l) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(m) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three (3) years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(n) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(o) Rights on cessation of employment for other reasons

In the event that the grantee is an employee, a consultant or an adviser (as the case may be) of a member of our Group at the date of grant and he subsequently ceases to be an employee, a consultant or an adviser (as the case may be) of our Group for any reason other than his death or the termination of his employment or engagement of a consultant or an adviser (as the case may be) on one or more of the grounds specified in (n) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three (3) months after the date of cessation of such employment of an employee or engagement of a consultant or an adviser (as the case may be) (which date will be in the case of an employee the last actual working day, on which the grantee was

physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not, and in the case of a consultant or an adviser (as the case may be), the last actual day of providing consultancy or advisory services to the relevant member of our Group).

(p) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices of any unexercised option, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules (or any guideline or supplemental guideline as may be issued by the Stock Exchange from time to time), provided that any such alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as (but in any event shall not be greater than) that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(q) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(r) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options 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 grantee credited as fully paid.

(s) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two (2) Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“**Suspension Date**”), 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 practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapsed and determined. The Board shall endeavor to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of our officers.

(t) Lapse of options

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the period referred to in paragraph (i) above;
- (ii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (n), (o), (q), (r) or (s) above;
- (iii) subject to paragraph (r) above, the date of the commencement of the winding-up of our Company;
- (iv) the occurrence of any serious misconduct, act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;

- (v) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);
- (vi) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (vii) subject to the compromise or arrangement as referred to in paragraph (s) become effective, the date on which such compromise or arrangement becomes effective.

(u) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(v) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten (10) years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth (10th) anniversary thereof unless terminated earlier by our Shareholders in general meeting.

(w) Alteration to the Share Option Scheme

- (i) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of our Shareholders in general meeting.
- (ii) Any alteration to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme, must be approved by our Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(x) Termination to the Share Option Scheme

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(y) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon the Listing Committee granting the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

3. Present status of the Share Option Scheme

Application has been made to the Listing Committee for the listing of and permission to deal in 200,000,000 Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders have, under the Deed of Indemnity as referred to in the paragraph headed “B. Further Information about the Business – 1. Summary of material contracts” in this appendix, given joint and several indemnities to our Company for itself and as trustee for and on behalf of its subsidiaries in connection with, among other things:

- (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of section 35 and/or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Share Offer becomes unconditional;
- (b) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which Share Offer becomes unconditional; or (ii) in respect of or in consequence of any act, omission, transaction, matter, thing or event occurring or deemed to occur on or before the date on which the Share Offer becomes unconditional, but the Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation to the extent that, among others:
 - (i) specific provision, reserve or allowance has been made for such taxation liability or taxation claim in the audited consolidated financial statements of any member of our Group for the Track Record Period; or
 - (ii) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
 - (iii) the taxation liability arises in the ordinary course of business of our Group after 31 December 2019 up to and including the date on which the Share Offer becomes unconditional.

- (c) any penalties, claims, actions, demands, proceedings, judgments, losses, payment, liabilities, damages, settlement payments, costs, administrative or other charges, fees, expenses and fines of whatever nature (which shall include legal fees and costs) which may be imposed on, suffered or incurred by any member of our Group as a result of or in connection with (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings (whether criminal, administrative, contractual, tortious or otherwise), instituted by or against any member of our Group in relation to any act, non-performance, omission, events or otherwise occurred on or before the date on which the Share Offer becomes unconditional; (ii) the implementation of the Reorganisation undergone by our Group in preparation for the Listing and/or disposal or acquisition of the equity interest in any member of our Group since the date of incorporation of each member of our Group and up to the date on which the Share Offer becomes unconditional; and (iii) any non-compliance with the applicable laws, rules or regulations by any member of our Group on or before the date on which the Share Offer becomes unconditional except that provision, reserve or allowance has been made for such liabilities in the audited consolidated financial statements of our Company or any other member of our Group for the Track Record Period (if any).

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Save as disclosed in the paragraph headed “Business – Litigation” of this prospectus, our Directors confirmed that as at the Latest Practicable Date, no member of our Group was 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 by or against any member of our Group.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and any options under the Share Option Scheme).

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

We agreed to pay HK\$6,450,000 to the Sole Sponsor for purposes of relevant services provided by the Sole Sponsor.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$42,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Cinda International Capital Limited	a licenced corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Ernst & Young	Certified Public Accountants
Beijing Jingtian & Gongcheng Law Firm	Legal advisers as to PRC laws
Appleby	Legal advisers as to Cayman Islands laws
DLA Piper Middle East LLP	Legal advisers as to U.S. laws
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

7. Consents of experts

Each of the experts named in the paragraph headed “E. Other Information – 6. Qualification of experts” in this appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letters and/or opinions and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Appleby Global Services (Cayman) Limited and a branch register of members of our Company will be maintained by Tricor Investor Services Limited. Save where our Directors agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company’s branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

10. Taxation of holders of Shares**(a) *Hong Kong***

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

11. No material adverse change

Save for the one-off and non-recurring expenses expected to be incurred in connection with the Listing and the expected decrease in revenue generated from Customer A under the U.S. Ban for the year ending 31 December 2020, our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 31 December 2019, the end of period reported in the accountants' report set out in Appendix I to this prospectus, and there has been no event since 31 December 2019 which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.

12. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of the 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 than cash;
 - (ii) 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 the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of the subsidiaries;
 - (iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debenture of any of our Company or the subsidiaries;

- (iv) no founder, management or deferred shares or any debentures of our Company have been issued or agreed to be issued; and
- (v) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (b) Save as disclosed in the section headed “Underwriting” in this prospectus, none of the parties listed in the paragraph headed “E. Other Information – 7. Consents of experts” in this Appendix is interested legally or beneficially in any securities of our Company or any of its subsidiaries; or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities of our Company or any of its subsidiaries;
- (c) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
- (d) No company within our Group is presently listed on any stock exchange or traded on any trading system;
- (e) Our Group has no outstanding convertible debt securities;
- (f) save as disclosed in this prospectus, there is no arrangement under which future dividends are waived or agreed to be waived.
- (g) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands law; and
- (h) The English text of this prospectus shall prevail over the Chinese text.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in sections 4 and 5 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW and GREEN** Application Forms;
- (b) copies of the material contracts referred to in the paragraph headed “Statutory and General Information – B. Further Information about the Business – 1. Summary of material contracts” in Appendix IV to this prospectus; and
- (c) the written consents referred to in the paragraph headed “Statutory and General Information – E. Other Information – 7. Consent of experts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Loong & Yeung Solicitors at Room 1603, 16/F, China Building, 29 Queen’s Road Central, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the Accountant’s Report and the report on the unaudited pro forma financial information prepared by Ernst & Young, the texts of which are set out in Appendices I and II to this prospectus;
- (c) the audited consolidated financial statements of our Company as have been prepared for the companies comprising our Group for the four years ended 31 December 2019;
- (d) the PRC legal opinion prepared by Beijing Jingtian & Gongcheng Law Firm, our PRC Legal Advisers, in respect of certain aspects of our Group as to the PRC law;
- (e) the letter of advice prepared by Appleby, our Cayman Islands legal adviser, summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (f) the memorandum of advice prepared by DLA Piper Middle East LLP, our U.S. Legal Advisers, in respect of certain aspects of our Group as to the U.S. law;
- (g) the Industry Report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.;
- (h) the material contracts referred to the paragraph headed “Statutory and General Information – B. Further Information about the Business – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (i) the written consents referred to in the paragraph headed “Statutory and General Information – E. Other Information – 7. Consents of experts” in Appendix IV to this prospectus; and
- (j) the Companies Law.

