This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the **[REDACTED].**

There are risks associated with any investment. Some of the particular risks in investing in the **[REDACTED]** ***are set out in "Risk Factors" in this document. You should read that section carefully before you decide to invest in the*** **[REDACTED].**

OVERVIEW

We principally engage in the sales of refurbished de-commissioned IT devices to, among others, resellers of IT devices, and the provision of device and IT technical subscription services to SMEs in China, as a DLM (device lifecycle management) solution provider. In 2021, our revenue accounted for a market share of approximately 3.9%. According to CIC, we are the first company in China to have built a DLM business model covering both long-term and short-term subscription period and major phases in device lifecycle. Our revenue from DLM solutions during the Track Record Period was primarily generated from (i) device recycling business, contributing over 60% of our revenue with gross margin ranging from 0.1% to 6.5% during the Track Record Period, through which we purchase de-commissioned devices from enterprises and provide data removal services at the enterprises' options. The device recycling business provides us with a stable source of de-commissioned devices, which will either be used for our device subscription business or be sold via our proprietary quotation platform or e-commerce platforms; and (ii) device and IT technical subscription services, contributing the rest of our revenue during the Track Record Period, through which we provide devices and IT technical support services to enterprises to satisfy their needs for diverse business scenarios. Device subscription business improved from gross loss of 17.4% in 2019 to gross margin of 23.2% in 2021 while gross margin of IT technical subscription business dropped from 81.6% in 2019 to 72.9% in 2021.

While our device management SaaS launched in 2018 only generated an insignificant amount of revenue during the Track Record Period, it helps enterprises manage their devices on a one-stop platform with a broad spectrum of functionalities and recommends appropriate services (device recycling as well as device and IT technical subscriptions) to satisfy their needs. As of December 31, 2019, 2020, 2021 and June 30, 2022, the number of registered corporate customers who were also our device subscription customers amounted to 801, 2,152, 4,638 and 6,611, respectively, accounting for 5.7%, 11.8%, 18.7% and 23.7%, respectively, of all of our registered corporate customers as of the same dates. See "Business – Our Business Model – Device Management SaaS – Bear Butler" for details.

Compared to traditional practices, device and IT technical subscription services help enterprises realize reduced operating costs by approximately 10% to 30% in a three-year period, according to CIC. In particular, DLM benefits enterprises in the following aspects: (i) avoiding substantial financial pressure due to the large one-time costs arising from device purchases; (ii) ensuring availability of device maintenance services without maintaining a large team of in-house IT staff, whose average salary has been rising; (iii) efficient equipment management and utilization, and (iv) convenient and secured way to dispose of decommissioned devices. According to CIC, with the continuous investments in IT equipment by enterprises and the deepening of flexibility in office, the DLM market in China is expected to experience growth at a faster rate in the years ahead, increasing to RMB138.2 billion in 2026 at a CAGR of 32.0% during the forecast period from 2021 to 2026. In addition, a large number of waste IT devices are not effectively recycled or disposed of in China. According to CIC, given the emergence of DLM solution providers as well as a growing environmental awareness among enterprises, the device recycling market in China is anticipated to experience an expansion in the years ahead and continue expanding at a faster pace. The market size of device recycling business in China has grown from RMB1.8 billion in 2017 to RMB6.8 billion in 2021 in terms of revenue at a CAGR of 39.2%, and is expected to reach approximately RMB26.1 billion in 2026 in terms of revenue at a CAGR of 31.0% from 2021 to 2026.

Founded in 2004, we started out with computer assembly services and sale of second-hand personal computers, which were conducted solely offline and served primarily individual customers. During the initial operation period, we established business relationship with computer suppliers, and accumulated years of experience and resources. Subsequently, we launched short-term and long-term computer rental programs in 2008 and 2013, respectively, focusing on desktop and laptop computers, and at the same time started providing IT technical services to enterprises. As long-term device subscription services can provide us with a stable and predictable stream of subscription income, it has been the focus of our device subscription business during the Track Record Period. We aspire to make DLM available to millions of individual users working in enterprises across China. Over the years, our business model has evolved from an offline single-product model serving primarily individual customers into a business model covering both long-term and short-term subscription periods and major phases in device lifecycle, serving primarily enterprises and individual users working therein. 2017 represented a milestone year of our device recycling business as we established a team dedicated to develop our network of upstream enterprise suppliers and downstream customers for de-commissioned devices, which are primarily enterprises engaged in the trading of de-commissioned IT devices. In 2018, we launched our device management SaaS.

Since our inception, we have instilled social values into our DLM business by promoting green economy and shared economy by facilitating enterprises to lower their operating costs and improving their IT device full-lifecycle utilization, for which we have gained excellent reputation and established a reputable corporate image. For example, we became a member of the National SME Public Service Demonstration Platform (國家中小企業公共服務示範平台) in 2019 and one of the Specialized and New "Little Giant" Enterprises (專精特新"小巨人"企業) in 2021, both of which were high recognitions issued by MIIT. Capitalizing on our leading position and constant business growth, we continuously advocate for a vibrant ecosystem connecting suppliers, customers and sales platforms in China's DLM industry. Being actively explored by us and other industry players, we believe DLM will continue to exert positive ESG influence on the working environment for China's enterprises.

In recent years, the implementation of mass entrepreneurship and favorable policies by the Chinese government have increased the number of enterprises in China, especially SMEs, which are our target group of customers given their growing IT spending and increasing needs for DLM solutions, which can help enterprises (i) avoid significant capital expenditure in purchasing devices themselves, and (ii) dispose of de-commissioned devices in a secured and cost-efficient manner.

During the Track Record Period, we experienced significant growth in our business operations and an increase in demand for our DLM solutions. Our revenue increased from RMB500.3 million in 2019 to RMB1,022.2 million in 2020 and further to RMB1,330.4 million in 2021, representing a CAGR of 63.1%. Furthermore, our revenue increased by 59.1% to RMB854.0 million for the six months ended June 30, 2022 from RMB536.9 million for the same period in 2021. Our adjusted EBITDA(1), which is a non-IFRS measure, reached RMB36.9 million, RMB164.5 million and RMB224.0 million, respectively, for the years ended December 31, 2019, 2020 and 2021, representing a CAGR of 146.6%, and reached RMB127.5 million for the six months ended June 30, 2022, representing an increase of 15.4% compared to the same period in 2021. Our net loss for 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022 amounted to RMB60.3 million, RMB177.1 million, RMB448.7 million, RMB268.1 million and RMB5.8 million, respectively. We achieved NDRR of 117.4%, 113.8% and 138.8% as to our device subscription services in 2019, 2020 and 2021, respectively; and 126.4% and 122.6% for the six months ended June 30, 2021 and 2022, respectively.

OUR STRENGTHS

We believe the following competitive strengths have contributed to our success and will help drive our growth in the future:

- The first DLM solution provider with a business model covering major phases in device lifecycle and a market-leading position in China;
- Enhanced device utilization and customer stickiness benefiting from the closed-loop business model;
- Rapidly expanding customer base through reliable customer outreach channels;
- Robust and multifaceted operational management capabilities;
- Powerful in-house IT system driving operational efficiency; and
- A visionary founder and seasoned management team.

See "Business – Our Strengths" for further details.

(1) We define EBITDA (a non-IFRS measure) as (loss) profit and total comprehensive (expense) income for the year/period by adding back (i) finance costs, (ii) bank interest income, (iii) income tax expense, and (iv) depreciation of property, plant and equipment, and right-of-use assets. We add back [**REDACTED**], fair value change of FVTPL and share-based payments expense to derive adjusted EBITDA (a non-IFRS measure). For details, please refer to "Financial Information – Non-IFRS Measure."

OUR STRATEGIES

To achieve our mission and further solidify our market leadership, we plan to pursue the following strategies:

- Broaden our customer base and service categories;
- Expand our services in core cities and their CBDs;
- Strengthen our operational management capabilities of IT devices during the full device lifecycle;
- Advance investment in technology to optimize operational efficiency; and
- Strengthen our credit-based supervision mechanism by enhancing our risk management capabilities.

See "Business – Our Strategies" for further details.

OUR BUSINESS MODEL

Our DLM solutions directly tackle the pain points of enterprises' management of devices. With the aim to transform enterprises' management of devices through services covering major phases of IT device lifecycle, our revenue from DLM solutions during the Track Record Period was primarily generated from the following service categories:

- *Device recycling business*. We purchase de-commissioned IT devices from enterprises for use in our device subscription services after refurbishment or sale through our proprietary quotation platform. Some of the de-commissioned devices are also sold through external e-commerce platforms after refurbishment. In addition to recycling of enterprises' de-commissioned devices, we remove and destroy data on IT devices in secure manners at the enterprise users' options, without charging any fees for such services. We typically target large-scale enterprises as upstream suppliers of de-commissioned IT devices, especially Internet companies including, among others, our strategic Shareholders and business partners JD.com and Lenovo. 2017 represented a milestone year of our device recycling business as we established a team dedicated to develop our network of upstream enterprise suppliers and downstream customers for de-commissioned devices, which are primarily enterprises engaged in the trading of de-commissioned IT devices.

  Gross margin of our device recycling business has been relatively low as it is our strategy to resell de-commissioned devices as soon as possible, usually at lower selling prices and lower gross margin, to minimize the risk of inventory obsolescence, considering rapidly changing customer preference as well as different new models, design and functions being launched from time to time. Fluctuations in such gross margin during the Track Record Period, primarily due to a shift in our product mix and fluctuating average prices at which we sold our de-commissioned devices. See "Financial Information – Discussion of Results of Operations" for a detailed analysis of the changes in the gross profit margin during the Track Record Period, and "Risk Factors – Risks Relating to Our Business and Industry – We incurred gross loss for our device subscription services in 2019, and the gross profit margins of our three service lines had fluctuated during the Track Record Period and may continue to fluctuate in the future" for a detailed analysis on the relevant risks.

- *Device subscription services*. Our device subscription services primarily include selecting IT devices (including brand new devices and de-commissioned devices after refurbishment) suitable for users, assembling devices, pre-installing device configurations and customizing system settings. We offer tailor-made short-term and long-term device subscription services to satisfy our customers' needs for diverse business scenarios, which commenced in 2008 and 2013, respectively. Furthermore, our self-owned devices are purchased with the intention to be held and have been held solely for our device subscription business during the Track Record Period. When such devices approach the end of their useful lives, as part of our fixed assets management, they can be disposed of in different ways, among which, through our own quotation platform or e-commerce platforms, to recover their residual value. We would also consider selling used devices for subscription before the end of their useful lives provided that the particular devices (i) could not generate the required level of subscription income when there are more advanced models of such devices which in turn would exert downward pressure on the subscription price of existing models, or (ii) have been subject to wear-and-tear during their useful lives and the repair costs would exceed the expected subscription income to be generated during rest of their useful lives. We typically target SMEs for our subscription services.

- *IT technical subscription services*. We offer IT technical subscription services primarily coupled with device subscription services and, to a lesser extent, on a standalone basis, primarily including solving problems in IT devices and keeping devices on the cutting edge of technology through system upgrades. We typically target SMEs for our subscription services.

The following table sets forth an analysis on the remaining lease terms of our device subscription services and IT technical subscription services agreements as of June 30, 2022.

	Device subscription services	IT technical subscription services	Total	
	RMB'000	*RMB'000*	*RMB'000*	*%*
Agreements expiration:				
Within one year	247,523	113,251	360,774	70.1
More than one year but not more than two years	77,414	36,396	113,810	22.1
More than two years	27,235	12,729	39,964	7.8
	352,172	162,376	514,548	100.0

In 2018, we launched our device management SaaS. While our device management SaaS only generated an insignificant amount of revenue during the Track Record Period, it helps enterprises manage their devices on a one-stop platform with a broad spectrum of functionalities and recommends appropriate services (device recycling as well as device and IT technical subscriptions) to satisfy their needs. Through digitalization, SaaS helps enterprises solve their problems and difficulties encountered during their IT device management through a centralized software application. Such issues and difficulties include the lack of technical teams responsible for the operation and maintenance and from-time-to-time urgent needs for prompt technical support. Our self-developed software application, *Bear Butler*, enables our customers to manage the procurement, allocation, repairment, maintenance and disposal of their IT devices, either in-house or provided by us to our device subscription service customers.

Synergies among Our DLM Solutions

Synergies exist among our different service categories of our DLM solutions, leading to strong revenue growth during the Track Record Period. The use of devices across our different service scenarios has increased the IT device utilization rate and strengthened our business growth while promoting green economy and shared economy. For example, the utilization rate of IT devices has increased due to their deployment in multiple business scenarios, such as our long-term and short-term device subscription services. Our IT technical subscription services together with device management SaaS enable enterprise users to maintain and manage a pool of IT devices without hiring a team of IT professionals in-house. Moreover, our device recycling business provides us with a stable source of de-commissioned devices, which will either be used for our device subscription business or be sold via our proprietary quotation platform or e-commerce platforms. In addition, our device management SaaS provides cross-selling opportunities as our *Bear Butler* automatically identifies IT device depreciation and recommends to enterprise users suitable IT device recycling plans. It also recommends device subscription services or IT technical subscription services to enterprises in need of new IT devices and device maintenance or repairment, respectively.

We typically target large-scale enterprises as our suppliers of de-commissioned devices, some of which are our strategic Shareholders and business partners. Our cooperation with them are crucial to our device recycling business. As such, we intend to deepen our cooperation with our strategic Shareholders and business partners through broadening our online user traffic and marketing and promotion activities. In addition, we intend to strengthen our operational management capabilities throughout device lifecycle, in particular our abilities to refurbish and maintain de-commissioned devices, which can help improve the overall operational efficiency and extend the useful lives of devices. We plan to strengthen our revenue and business growth by broadening our customer base and service categories in core cities and their CBDs.

See "Business – Our Business Model," "Business – Business Sustainability" and "Business – Our Strategies" for further details.

Key Operating Data

The following tables set forth certain of our key operating data for the periods indicated:

Device Recycling Business

	As of/Year ended December 31,			CAGR*	As of/Six months ended June 30,	
	2019	2020	2021		2021	2022
Number of devices sold *(device)*	151,155	598,685	857,118	138.1%	202,701	472,682
Number of device recycling customers	1,198	1,059	1,101	(4.1%)	524	596
Average revenue per device recycling customer *(RMB)*	252,791	722,566	839,608	82.2%	682,835	1,060,598
Average sales value *(RMB/device)*	1,211.6	914.5	876.9	(14.9%)	1,232.1	1,261.2

Device Subscription Business – Devices

	As of/Year ended December 31,						CAGR*	As of/Six months ended June 30,			
	2019		2020		2021			2021		2022	
		%		%		%			%		%
Number of devices for subscription**	231,505	100.0	347,951	100.0	455,357	100.0	40.2%	429,588	100.0	488,993	100.0
– Laptop computers	106,446	46.0	150,206	43.2	209,197	45.9	40.2%	192,463	44.8	231,439	47.3
– Desktop computers	89,819	38.8	152,930	44.0	198,233	43.5	48.6%	192,047	44.7	215,044	44.0
– Mobile phones and tablet computers	18,580	8.0	20,511	5.9	23,766	5.2	13.1%	21,391	5.0	18,583	3.8
– All-in-one computers	11,542	5.0	16,178	4.6	13,165	2.9	6.8%	13,809	3.2	12,643	2.6
– Conference-related and other devices	3,596	1.6	4,524	1.3	6,037	1.3	29.6%	5,695	1.3	6,068	1.2
– Printers and photocopiers	1,522	0.7	3,602	1.0	4,959	1.1	80.5%	4,183	1.0	5,216	1.1
Number of devices subscribed	206,382		310,265		388,406		37.2%	383,022		398,908	
Subscription rate of devices *(%)*#	89.1		89.2		85.3		N/A	89.2		81.6	

* CAGR only refers to the growth rate from the year ended December 31, 2019 to the year ended December 31, 2021.

** Number of devices for subscription represents the total number of devices owned by us which are available to be subscribed by customers and include devices being subscribed for by customers and those not yet subscribed for by customers.

Subscription rate of devices equals to the number of devices subscribed divided by the number of devices for subscription at the end of a given year or period.

Subscription Business – Volume and Price

	Year ended December 31,			CAGR*	Six months ended June 30,	
	2019	2020	2021		2021	2022
Total device subscription volume *(device)*	1,884,458	2,766,998	4,235,301	49.9%	1,910,667	2,243,465
Average monthly device subscription price *(RMB/device)*	43.6	52.0	62.7	19.9%	60.2	67.0
– Long-term subscription	46.1	51.9	61.7	15.7%	59.7	64.7
– Short-term subscription	34.0	52.2	67.5	40.9%	63.4	80.3
Total IT technical service subscription volume *(device)*	1,227,953	1,814,452	2,743,947	49.5%	1,204,028	1,544,455
Average monthly IT technical service subscription price *(RMB/device)*	94.0	62.4	51.2	(26.2%)	53.2	46.3
Average monthly IT technical service subscription price per customer *(RMB)*	998	1,028	1,047	2.4%	1,386	1,150
Average revenue per KA customer of long-term device subscription services *(RMB)*	82,436	117,101	153,312	36.4%	76,424	73,384

Device Subscription Business – Customers

	As of/Year ended December 31,			CAGR*	As of/Six months ended June 30,	
	2019	2020	2021		2021	2022
Number of long-term device subscription customers	5,068	6,671	10,030	40.7%	6,058	9,966
Number of short-term device subscription customers	6,317	4,103	4,538	(15.2%)	2,881	2,768
NDRR	117.4%	113.8%	138.8%	N/A	126.4%	122.6%
KA customer growth rate	72.7%	37.6%	55.5%	N/A	48.6%	20.6%(8)
KA customer retention rate	78.9%	80.3%	84.2%	N/A	84.8%	N/A(9)

See "Business – Our Business Model – Key Operating Data" for details.

* CAGR only refers to the growth rate from the year ended December 31, 2019 to the year ended December 31, 2021.

** NDRR measures our capability to generate revenue from long-term device subscription returning customers.

COMPETITIVE LANDSCAPE

The DLM market in China is highly fragmented, composed of a large number of small-scale regional DLM solution providers with only a few top players whose revenues exceeding the RMB500 million threshold. We are one of the two leading companies with a revenue exceeding RMB500 million and more than 300,000 devices for subscription companies in China.

In addition, in 2021, the top five market players (all of which are independent from device manufacturers) in terms of revenue in the industry accounted for approximately 7.2% of the total market share. In the same year, we generated revenue of RMB1.3 billion from our DLM business (including device recycling business, device subscription services, IT technical subscription services and device management SaaS), accounting for approximately 3.9% of the total market share. In addition, the pay-as-you-go office IT integrated solutions of Edianyun (similar to our device and IT technical subscription businesses) recorded a revenue of RMB997.9 million in 2021 while our revenue generated from the device and IT technical subscription businesses was RMB406.0 million in the same year. In this regard, Edianyun ranked the first while we ranked the second in the subscription segment of China's DLM market in 2021.

The following diagram illustrates the market shares of the top five market players in terms of revenue in 2021:

Competitive analysis of DLM solution providers, China, 2021

Ranking	Company name	Year established	DLM revenue, 2021, RMB in millions	Market share in terms of revenue, 2021	Service type				Device subscription by business scenario	
					Device recycling	Device subscription	IT technical subscription	Device management SaaS	Long-term uses	Short-term uses
1	Our Company	2004	1,330.4	3.9%	√	√	√	√	√	√
2	Edianyun Limited (易點雲有限公司)	2014	1,011.1	2.9%	√	√	√	√	√	None
3	Benlizu (本立租)	2019	100.0	0.3%	√	√	√	None	√	√
4	Aiterent (艾特租)	2017	31.3	0.1%	√	√	√	None	√	√
5	Slease (閃租網)	2016	30.0	0.1%	None	√	√	None	√	√

Source: independent research conducted by CIC which includes interviews with industry players and research on public information available on websites of the companies mentioned above

See "Industry Overview – The DLM Market in China – Competitive Landscape for the DLM Market in China" for further details.

OUR CUSTOMERS AND SUPPLIERS

Our customers primarily include companies principally engaged in e-commerce, software development, education and trainings, retails, manufacturing and outsourcing services in China, among which our five largest customers in each year/period principally engaged in manufacturing, retail, IT related services and software development. In each year/period during the Track Record Period, revenue contributed from our five largest customers accounted for 21.0%, 31.3%, 17.7% and 38.1% of our total revenue, respectively, while the largest customer contributed 9.0%, 10.3%, 4.2% and 19.8% of our total revenue, respectively, for the same periods. Our five largest customers in each year/period during the Track Record Period were mostly from device recycling business due to their relatively large order size with revenue recognized upon goods delivery, while revenue from device subscription services was recognized throughout the entire subscription period. See "Business – Our Customers" for further details.

Our suppliers primarily include companies with business operations in new economy industries such as IT device manufacturing and e-commerce in China, among which our five largest suppliers in each year/period have business in IT device manufacturing and e-commerce. In each year/period during the Track Record Period, our purchases from our five largest suppliers accounted for 48.1%, 53.9%, 50.1% and 65.2% of our total purchases, respectively, while our purchase from the largest supplier accounted for 15.9%, 30.7%, 21.2% and 44.0% of our total purchases, respectively, for the same periods. We generally purchased IT devices from our five largest suppliers in each year/period during the Track Record Period. See "Business – Our Suppliers" for further details.

DATA PRIVACY AND INFORMATION SECURITY RISK MANAGEMENT

In the course of our business, we collect and process personal data and transaction data. Specifically, we collect and process (i) phone numbers of customers for the purpose of their registration and login on Bear Butler and bearrental.com website, (ii) credit card number and identity card information of customers for the purposes of verifying their identities when signing electronic service agreements and making electronic delivery order, (iii) business licenses, corporate addresses and industry information of customers. As confirmed by our PRC Legal Advisor, we were in compliance with the applicable PRC data privacy and security laws, rules and regulations relating to the collection, use or security of personal data in all material respects during the Track Record Period and up to the Latest Practicable Date. See "Business – Data Privacy and Information Security Risk Management."

RISK FACTORS

Our business and the [**REDACTED**] involve certain risks as set out in "Risk Factors" in this document. These risks can be broadly categorized into: (i) risks relating to our business and industry; (ii) risks relating to conducting business in China; and (iii) risks relating to the [**REDACTED**]. You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks we face include the following:

- A significant portion of our revenue has been generated from our device recycling business, the gross margin of which is low and the amount of which depends on factors such as customer demand for particular type and condition of devies, which are out of our control.

- Our customers are primarily SMEs which are more susceptible to economic downturn, which would in turn affect our financial performance and future business growth.

- Our business, growth and prospects are significantly affected by the usage and demand of DLM solutions and our targeted markets in China;

- If we fail to maintain and grow our customer base or keep our customers engaged, our business growth will be negatively impacted;

- Changes and development in the regulatory environment over the industries in which our customers operate could adversely affect the business operations of our customers, thus negatively impacting our own results of operations and financial condition;

- We are exposed to credit risk associated with our customers and the recoverability of our trade and lease receivables and IT devices are subject to uncertainties;

- We have incurred significant upfront costs for device procurement during the Track Record Period. Failure to manage our liquidity and cash flows or inability to obtain additional financing in the future to purchase device could have a material adverse impact on our business, results of operations and financial condition;

- Upon expiry of existing subscription agreements, we may not be able to enter into new device subscription agreements at prices we expected. We cannot adjust the prices at which our devices are subscribed for during their subscription periods;

- Our initiatives to incorporate new technologies may not succeed, which may limit our future growth; and

- We collect, store and process certain business data of our own business and our customers. If our information system security is compromised and such business data is accessed without authorization, our reputation may be harmed, and we may be exposed to potential liability and significant loss of business.

See "Risk Factors" for further details.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors, except for certain lawsuits arising from the ordinary course of business which would not, individually or in the aggregate, have a material adverse effect on our business, financial condition, and results of operations. See "Business – Employees" and "Risk Factors – Risks Relating to Our Business and Industry – We are subject to risks relating to litigation and disputes, which could adversely affect our business, prospects, results of operations and financial condition." According to our PRC Legal Advisor, our business operations had been carried out in compliance with applicable laws and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date.

While there are certain legal matters relating to our compliance with PRC employment and real property related laws and regulations which our Directors consider would not have a material and adverse effect on our business, financial condition or results of operations, our Directors are of the view that our Group has in place adequate internal control measures to ensure ongoing compliance with applicable laws and regulations. See "Business – Legal Proceedings and Compliance" for further details.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

Immediately upon completion of the Capitalisation Issue and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Mr. Hu will be in control of [**REDACTED**]% of the issued share capital of our Company through (i) Bear Family, an investment holding company wholly owned by Mr. Hu; (ii) Little Bear, an investment holding company which Mr. Hu holds the entire voting rights; (iii) LX Brothers, our Company's offshore employee incentive platform for the employee incentive plan in which the entire voting rights were exercised under the instruction of Mr. Hu; and (iv) Beauty Bear, a platform holding Shares for future benefit to employees, advisors and consultants as the Board deems fit, in which the entire voting rights were exercised under the instruction of Mr. Hu. Accordingly, Mr. Hu, Bear Family, Little Bear, LX Brothers and Beauty Bear constitute a group of our Controlling Shareholders under the Listing Rules.

We have entered into certain transactions which will constitute continuing connected transactions under Chapter 14A of the Listing Rules after [**REDACTED**]. See "Connected Transactions" for more information.

OUR PRE-[REDACTED] INVESTORS

Since the establishment of our Group, we have secured Pre-[**REDACTED**] financing from investors including JD entities, Tencent entities and Lenovo entities, which will hold [**REDACTED**]%, [**REDACTED**]% and [**REDACTED**]%, respectively, of the issued share capital of our Company immediately upon completion of the Capitalisation Issue and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised). For further details of the identity and background of the Pre-[**REDACTED**] Investors, and the principal terms of the Pre-[**REDACTED**] Investments, see "History, Reorganization and Corporate Structure – Pre-[**REDACTED**] Investments."

SUMMARY KEY FINANCIAL INFORMATION

The summary historical data of financial information set forth below have been derived from, and should be read in conjunction with, our consolidated audited financial statements, including the accompanying notes, set forth in the Accountants' Report attached as Appendix I to this document, as well as the information set forth in "Financial Information." Our financial information was prepared in accordance with IFRS.

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000* *(unaudited)*	*% of Revenue*	*RMB'000*	*% of Revenue*
Revenue	500,339	100.0	1,022,169	100.0	1,330,402	100.0	536,926	100.0	854,013	100.0
Cost of sales	(420,237)	(84.0)	(875,307)	(85.6)	(1,137,266)	(85.5)	(439,686)	(81.9)	(754,392)	(88.3)
Gross profit	80,102	16.0	146,862	14.4	193,136	14.5	97,240	18.1	99,621	11.7
Loss before tax	(67,202)	(13.4)	(174,963)	(17.2)	(446,271)	(33.5)	(267,850)	(49.9)	(7,105)	(0.8)
Loss and total comprehensive expense for the year/period	(60,346)	(12.1)	(177,127)	(17.3)	(448,702)	(33.7)	(268,137)	(49.9)	(5,830)	(0.7)
(Loss) profit and total comprehensive (expense) income attributable to:										
Owners of the Company	(60,187)	(12.0)	(177,302)	(17.3)	(448,702)	(33.7)	(268,137)	(49.9)	(5,830)	(0.7)
Non-controlling interests	(159)	–[1]	175	–[1]	–	–	–	–	–	–
	(60,346)	(12.1)	(177,127)	(17.3)	(448,702)	(33.7)	(268,137)	(49.9)	(5,830)	(0.7)

Note:

(1) Less than 0.05%

Non-IFRS Measure

To supplement our consolidated financial statements which are presented in accordance with IFRSs, we also use adjusted EBITDA (a non-IFRS measure) as an additional financial measure, which are not required by, or presented in accordance with, IFRSs. We believe that such measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management to evaluate our operating performance and formulate business plans. However, our adjusted EBITDA (a non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation, or as substitute for analysis of, our results of operations or financial position as reported under IFRSs.

There are two components of the adjusted EBITDA (a non-IFRS measure) metric: (i) EBITDA (a non-IFRS measure), which we define as loss for the year/period adding back income tax expense, finance costs, bank interest income, depreciation of property, plant and equipment and right-of-use assets; and (ii) adjustments to EBITDA (a non-IFRS measure), which includes [**REDACTED**] related to this [**REDACTED**], fair value change of financial liabilities at FVTPL and share-based payments expense. Fair value change of financial liabilities at FVTPL represents fair value changes in relation to series of investments in LX Technology before and during the Track Record Period. The series of investments as of June 30, 2022 have been converted to the Company's preferred shares as part of the reorganization and will be converted into equity upon the [**REDACTED**]. We do not expect to recognize any further loss or gain on fair value changes from Pre-[**REDACTED**] Investments in the future. We exclude share-based payments expense because they are non-cash in nature, and do not result in cash outflow. The exclusion of share-based payments expense complies with the Guidance Letter HKEX-GL103-19. Share-based payments expense of RMB23.6 million for the six months ended June 30, 2022 comprised RMB7.4 million, RMB13.6 million and RMB2.5 million recognized under distribution and selling expenses, administrative expenses and research and development expenses, respectively.

The following tables reconcile our adjusted EBITDA (a non-IFRS measure) for the years/periods presented to net loss during the Track Record Period.

	Year ended December 31,			**Six months ended June 30,**	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Reconciliation of loss for the year/period and adjusted EBITDA (a non-IFRS measure)					
Loss for the year/period	(60,346)	(177,127)	(448,702)	(268,137)	(5,830)
Add:					
Income tax expense	(6,856)	2,164	2,431	287	(1,275)
Finance costs	11,998	19,106	36,301	14,580	21,995
Bank interest income	(262)	(560)	(669)	(395)	(182)
Depreciation of property, plant and equipment and right-of-use assets	82,239	131,209	193,343	85,910	112,173
Non-IFRS measure: EBITDA	26,773	(25,208)	(217,296)	(167,755)	126,881
Add:					
[**REDACTED**]	–	–	[**REDACTED**]	–	[**REDACTED**]
Fair value change of financial liabilities at FVTPL	10,077	189,692	433,916	278,230	(36,417)
Share-based payments expense	–	–	–	–	23,555
Non-IFRS measure: Adjusted EBITDA	36,850	164,484	224,018	110,475	127,507

Revenues by service lines

During the Track Record Period, we derived our revenues primarily from (i) device recycling income, (ii) device subscription services, and (iii) IT technical subscription services.

- *Device recycling income*. We normally request a deposit of total consideration from customers when they entered into contracts with us. The revenue is recognized when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been delivered out to customers' designated locations or picked up by customers.

- *Device subscription services*. We receive part of the income at the commencement of the service period and the remaining balance will be received over the service period on a monthly basis for long-term device subscription service, or at the end of service period for the short-term device subscription service. We recognize revenue from device subscription services over time by reference to the progress towards complete satisfaction of the relevant performance obligation.

- *IT technical subscription services*. For the IT technical subscription services coupled with device subscription services, we receive the payments for both services at the same time. Revenue relating to the IT technical subscription services is recognized over time on a straight line basis over the subscription period, as the customers simultaneously receive and consume the benefits provided by the our performance as we perform.

In 2019, 2020, and 2021 and for the six months ended June 30, 2021 and 2022, our revenue was RMB500.3 million, RMB1,022.2 million, RMB1,330.4 million, RMB536.9 million and RMB854.0 million, respectively. The following table sets forth a breakdown of our revenues by service lines in absolute amounts and as a percentage of our total revenue for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (*unaudited*)	%	*RMB'000*	%
Device recycling income	302,844	60.5	765,197	74.8	924,408	69.4	357,806	66.7	632,117	74.0
Device subscription services	82,085	16.4	143,847	14.1	265,602	20.0	115,008	21.4	150,367	17.6
– Long term device subscription	68,435	13.7	117,336	11.5	217,559	16.4	97,752	18.2	123,241	14.4
– Short term device subscription	13,650	2.7	26,511	2.6	48,043	3.6	17,256	3.2	27,126	3.2
IT technical subscription services	115,410	23.1	113,125	11.1	140,392	10.6	64,112	11.9	71,529	8.4
Total	500,339	100.0	1,022,169	100.0	1,330,402	100.0	536,926	100.0	854,013	100.0

Revenue by geographical locations

The following table sets forth a breakdown of our revenue by geographical location in absolute amounts and as a percentage of our revenue for the years/periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (*unaudited*)	%	*RMB'000*	%
Shenzhen	301,686	60.3	779,327	76.2	983,551	73.9	364,821	67.9	691,067	80.9
Shanghai	48,148	9.6	63,937	6.3	85,668	6.4	40,369	7.5	43,441	5.1
Wuhan	14,826	3.0	20,806	2.0	80,051	6.0	30,088	5.6	46,979	5.5
Beijing	49,480	9.9	49,399	4.8	78,876	5.9	36,790	6.9	37,993	4.4
Guangzhou	26,013	5.2	29,920	2.9	37,852	2.8	17,334	3.2	19,878	2.3
Others[1]	60,185	12.0	78,780	7.7	64,403	4.8	47,524	8.9	14,655	1.8
Total	500,339	100.0	1,022,169	100.0	1,330,402	100.0	536,926	100.0	854,013	100.0

Note:

(1) Others mainly include Chengdu, Xiamen, Nanjing, Zaozhuang and Jingmen.

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by service line for the years/periods indicated.

	Year Ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Gross Profit	**Gross Profit Margin**	**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* (*unaudited*)	%	*RMB'000*	%
Device recycling income	273	0.1	49,558	6.5	29,107	3.1	23,933	6.7	12,932	2.0
Device subscription services	(14,320)	(17.4)[1]	6,469	4.5	61,654	23.2	25,845	22.5	37,201	24.7
IT technical subscription services	94,149	81.6	90,835	80.3	102,375	72.9	47,462	74.0	49,488	69.2
Total	80,102	16.0	146,862	14.4	193,136	14.5	97,240	18.1	99,621	11.7

Note:

(1) The gross loss margin of 17.4% of device subscription services in 2019 was due to lower prices charged (approximately 16.2% lower than the average monthly device subscription price in 2020) to attract more customers to subscribe for IT technical subscription services coupled with device subscription services. In 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022, the number of customers of IT technical subscription services were 9,634, 9,168, 11,178, 7,708 and 10,367, respectively, of which 5,307, 4,413, 5,612, 2,526 and 3,593 were new customers, respectively.

We incurred gross loss of RMB14.3 million in 2019 for device subscription services mainly due to lower prices offered for our device subscription services (approximately 16.2% lower than the average monthly device subscription price in 2020) to attract more customers to subscribe for IT technical subscription services coupled with device subscription services at the same time in order to expand our IT technical subscription services and increase our market penetration. In 2020, we recorded gross profit for device subscription services of RMB6.5 million mainly as we managed to raise our prices offered for device subscription services and generate more subscription revenue with our equipment for subscription. As we increased customer stickiness by offering a more diversified service portfolio and types of devices with different brands, configurations and models, we were able to retain existing customers and attract new customers with better pricing terms for device subscription services since 2020.

Our cost of sales was RMB420.2 million, RMB875.3 million, RMB1,137.3 million, RMB439.7 million and RMB754.4 million, respectively, in 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022, accounting for 84.0%, 85.6%, 85.5%, 81.9% and 88.3%, respectively, of our revenue in the same periods. Our cost of sales consists primarily of (i) costs of inventories sold; (ii) depreciation and amortization, which primarily include depreciation of equipment for subscription; (iii) staff costs, representing salaries and welfare for our business operation personnel; and (iv) others, mainly representing costs related to short-term device subscription services such as rentals for venue and wages for temporary staff for offline large-scale examinations.

Our distribution and selling expenses were RMB73.0 million, RMB78.2 million, RMB115.9 million, RMB50.5 million and RMB64.9 million, respectively, in 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022, accounting for 14.6%, 7.7%, 8.7%, 9.4% and 7.6%, respectively, of our revenue in the same periods. Our distribution and selling expenses primarily consist of (i) salaries and welfare of our sales and marketing team; (ii) customer acquisition expenses paid to our business partners; (iii) marketing and promotion expenses relating to our online and offline advertising and promotion activities; (iv) travelling and transportation; (v) rental and utilities expenses; and (vi) others, which mainly include general office expenses and telecommunication charges.

Summary of Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total non-current assets	393,779	573,260	787,765	837,735
Total current assets	235,964	367,819	390,052	478,340
Total current liabilities	289,313	396,809	529,089	677,389
Total non-current liabilities	330,740	714,158	1,278,952	1,251,185
Net current liabilities	(53,349)	(28,990)	(139,037)	(199,049)
Net assets (liabilities)	9,690	(169,888)	(630,224)	(612,499)
Capital and reserves				
Paid-up capital/share capital	55,000	55,000	54,156	505
Reserves	(45,985)	(224,888)	(684,380)	(613,004)
Equity attributable to owners of the Company	9,015	(169,888)	(630,224)	(612,499)
Non-controlling interests	675	–	–	–
Total equity (deficit)	9,690	(169,888)	(630,224)	(612,499)

We recorded net current liabilities of RMB53.3 million, RMB29.0 million, RMB139.0 million and RMB199.0 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively, primarily because a major portion of our devices for subscription (being classified as non-current assets) were purchased using borrowings from banks and other financial institutions (portion repayable within one year being classified as current liabilities). The increase in net current liabilities in 2021 was primarily due to the increases in borrowings to purchase IT devices for our business expansion. Our net liabilities decreased from RMB630.2 million as of December 31, 2021 to RMB612.5 million as of June 30, 2022, primarily due to fair value gain of financial liabilities at fair value through profit or loss of RMB36.4 million for the six months ended June 30, 2022.

Our net current liabilities decreased from RMB53.3 million as of December 31, 2019 to RMB29.0 million as of December 31, 2020, primarily due to (i) an increase in our inventories of RMB76.1 million, and (ii) an increase in other receivables, deposits and prepayments of RMB56.7 million, which was partially offset by (i) an increase in current borrowing and lease liabilities of RMB86.9 million, and (ii) an increase in trade payables of RMB29.7 million.

Our net current liabilities increased from RMB29.0 million as of December 31, 2020 to RMB139.0 million as of December 31, 2021, primarily due to (i) an increase in current borrowing and lease liabilities of RMB180.8 million in our current liabilities to purchase IT devices, (ii) decrease in inventories of RMB47.3 million, and (iii) an increase in other payables and accruals of RMB21.3 million, which was partially offset by (i) decrease in trade payables of RMB67.1 million, (ii) an increase in our bank balances and cash of RMB38.2 million, (iii) an increase in other receivables, deposits and prepayments of RMB15.2 million, and (iv) an increase in trade and lease receivables of RMB16.3 million.

Our net current liabilities increased from RMB139.0 million as of December 31, 2021 to RMB199.0 million as of June 30, 2022, primarily due to (i) an increase in borrowings and lease liabilities of RMB100.0 million, (ii) an increase in trade payables of RMB52.4 million, which was partially offset by (iii) an increase in bank balances and cash of RMB87.5 million.

We recorded net assets of RMB9.7 million as of December 31, 2019 and net liabilities of RMB169.9 million, RMB630.2 million and RMB612.5 million as of December 31, 2020 and 2021 and June 30, 2022, respectively. Our net liabilities position as of December 31, 2020 and 2021 and June 30, 2022 was primarily due to net losses in 2020, 2021 and for the six months ended June 30, 2022 and the increase in the fair value of investment by the Pre-[**REDACTED**] Investors, which were recognized as financial liabilities at FVTPL. For details, please see "Financial Information – Indebtedness – Financial liabilities at FVTPL." The Preferred Shares will be re-designated from financial liabilities to equity as a result of the automatic conversion into ordinary shares upon [**REDACTED**] of the Company such that the net liabilities position would turn into net assets.

We recorded accumulated losses of RMB58.7 million, RMB236.3 million, RMB687.4 million, RMB504.4 million and RMB693.2 million as of December 31, 2019, 2020 and 2021 and June 30, 2021 and 2022, respectively. The accumulated losses in 2019, 2020, 2021 and for the six months ended June 30, 2021 and 2022 were primarily attributable to net losses of RMB60.3 million, RMB177.1 million, RMB448.7 million, RMB268.1 million and RMB5.8

million in 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022, respectively. Our loss-making performance in 2019, 2020, 2021 and for the six months ended June 30, 2021 and 2022 was primarily attributable to (i) fair value change of financial liabilities at FVTPL at a loss of RMB10.1 million in 2019, a loss of RMB189.7 million in 2020, a loss of RMB433.9 million in 2021 and a loss of RMB278.2 million for the six months ended June 30, 2021, which were mainly driven by the increased valuation of our Company, and (ii) the increase in customer acquisition expenses paid to our business partners. The increasing indebtedness during the Track Record Period was due to the increase in borrowings to fund our purchase of IT devices as a result of our business expansion.

Financial liabilities at FVTPL

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we recorded financial liabilities measured at FVTPL of RMB256.8 million, RMB606.5 million, RMB1,117.1 million and RMB1,080.7 million, respectively, representing investments by our Pre-[**REDACTED**] Investors. For details, please see "Financial Information – Indebtedness – Financial liabilities at FVTPL." Our fair value change of financial liabilities at FVTPL amounted to loss of RMB10.1 million, RMB189.7 million, RMB433.9 million and RMB278.2 million in 2019, 2020 and 2021 and for the six months ended June 30, 2021, respectively, and amounted to gain of RMB36.4 million for the six months ended June 30, 2022.

Summary of Consolidated Statements of Cash Flow

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Net cash from operating activities	58,664	109,934	278,780	120,126	192,906
Net cash used in investing activities	(223,780)	(319,982)	(450,974)	(269,139)	(171,934)
Net cash from financing activities	229,063	214,515	210,369	151,752	62,789
NET INCREASE IN CASH AND CASH EQUIVALENTS	63,947	4,467	38,175	2,739	83,761
Cash and cash equivalents at JANUARY 1	11,964	75,911	80,378	80,378	118,553
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD, represented by bank balances and cash	75,911	80,378	118,553	83,117	206,009

We have historically funded our cash requirements principally from cash generated from operations, bank borrowing, finance lease as well as capital contributed by shareholders. After the [**REDACTED**], we intend to finance our future capital requirements through cash generated from operations, net proceeds from the [**REDACTED**], and other future equity or debt financings. We currently do not anticipate any significant changes to the availability of financing in the near future.

Summary of Key Financial Ratios

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

	As of/for the year ended December 31,			As of/ for the six months ended June 30,
	2019	**2020**	**2021**	**2022**
Revenue				
Total revenue growth	N/A	104.3%	30.2%	59.1%
Profitability				
Gross profit margin	16.0%	14.4%	14.5%	11.7%
Adjusted EBITDA margin (a non-IFRS measure)	7.4%	16.1%	16.8%	14.9%
Liquidity				
Current ratio	0.82	0.93	0.74	0.71
Gearing ratio	1,819.8%	N/M	N/M	N/M
Inventory turnover days	31.4	35.0	31.5	16.4
Trade and lease receivables turnover days	24.8	15.1	12.4	11.8
Trade payables turnover days	61.9	50.3	32.7	22.5

The calculation of gearing ratio is based on total debt for the year/period divided by total equity for the respective year/period and multiplied by 100.0%. The gearing ratio as of December 31, 2020, December 31, 2021 and June 30, 2022 were not meaningful because the Company recorded deficit in equity as of December 31, 2020, December 31, 2021 and June 30, 2022. For the definitions of other ratios, please see "Financial Information – Key Financial Ratios."

For further details, see "Financial Information – Key Financial Ratios."

BUSINESS SUSTAINABILITY

We incurred net liabilities, net current liabilities and net losses during the Track Record Period, primarily because the DLM industry in China is at its early stage and we have made substantial investments to expand our customer base and drive the growth of our business, which we believe are indispensable to establish compelling competitive advantages for the long-term development of our business. In addition, we adopted the employee incentive plans, including LX Brothers Employee Incentive Plan, Beauty Bear Employee Incentive Plan on March 23, 2022, April 1, 2022 and April 1, 2022, respectively, resulting in expenses associated with share-based payments for the year ending December 31, 2022. Our future profitability is uncertain and subject to various factors, including our ability to effectively monetise our product and service offerings and continuously grow revenues in a cost-effective way by improving our operational efficiency. **Despite our continued increase in customer base, we may continue to incur net losses in the foreseeable future. We expect to record net loss for 2022 as a result of (i) fair value loss attributable to financial liabilities at FVTPL arising from investments by our Pre-[REDACTED] investors, which were mainly driven by the increased valuation of our Company, (ii) share-based compensation expenses in relation to employee incentive plans adopted in 2022, and (iii) [REDACTED]. We expect to return to or become consolidated net asset position following the conversion of preferred shares held by our Pre-[REDACTED] investors into ordinary shares upon [REDACTED]. However, we may turn to net liabilities position if our profitability further deteriorates.**

Our profitability during the Track Record Period

Gross margin

Our overall gross margin is determined by the gross margin of our major business segments, i.e. the subscription services (comprises device subscription and IT technical subscription) and device recycling.

Device recycling business: Our device recycling business is different from our computer assembly services and sale of second-hand computers business in the past as the former is conducted both online and offline, covering multiple product categories and serving primarily enterprises and individual users working therein while the latter was conducted offline, covering single product category and serving primarily individual customers. 2017 represented a milestone year of our device recycling business as we established a team dedicated to develop our network of upstream enterprise suppliers and downstream customers for de-commissioned devices, which are primarily enterprises engaged in the trading of de-commissioned IT devices.

Gross margins of our device recycling business largely depend on our product mix. During the Track Record Period, gross profit margins of major types of IT devices of our device recycling business varied significantly, primarily due to combination of various factors such as changes in device model and configuration as well as market demand and supply. For details, please see "Financial Information – Description of Major Components of Our Results of Operations – Gross profit and gross profit margin of the device recycling business by product types". Attributable to its trading nature, the gross margins of our device recycling business primarily reflect the difference between the prices at which we procured the de-commissioned devices and at which we subsequently sold them, and are therefore lower compared to the gross margins of our subscription business, which are provision of services by nature. Nevertheless, gross margins of our device recycling business have been positive during each year of the Track Record Period as further discussed below.

Gross margin of our device recycling business in 2019 was 0.1%. Such relatively low gross profit margin in 2019 was primarily due to the relatively higher bidding prices at which we purchased de-commissioned devices, aiming at establishing business relationship with and becoming pre-approved bidder for major suppliers of such devices. In 2020, our gross profit margin of device recycling business improved significantly to 6.5% as (i) given we were already pre-approved bidder of certain major suppliers of de-commissioned devices, we were able to submit bids selectively after assessing the profit margin of different bidding opportunities and decided not to participate if the bidding price was too competitive and might adversely affect our gross profit margin, and (ii) the market prices of IT devices rose due to shortage caused by supply chain disruption during the COVID-19 pandemic. In 2021, our gross profit margin of device recycling business decreased to 3.1%, primarily due to (i) we sold our de-commissioned devices to certain leading companies which were new to us at lower average prices, aiming at developing long-term business relationship with them, and (ii) the market prices of IT devices dropped in the second half of 2021 following the easing of shortage caused by supply chain disruption while certain portion of our inventories of de-commissioned devices were purchased in 2020 and the first half of 2021 where the market prices of IT devices were high. In the first half of 2022, our gross profit margin of device recycling business decreased to 2.0% compared to 6.7% for the same period in 2021, primarily attributable to decreasing average sales value per device of de-commissioned IT devices following the ease of shortage caused by supply chain disruption in the second half of 2021 while certain portion of our inventories of de-commissioned devices were purchased in the first half of 2021 where the market prices of IT devices were high.

Overall gross margin: While our gross margin of device recycling business improved from 0.1% in 2019 to 6.5% in 2020, our overall gross margin dropped slightly from 16.0% in 2019 to 14.4% in 2020, primarily attributable to drop in gross margin of our IT technical subscription services, which was in turn due to (i) decrease in average monthly subscription prices under IT technical subscription services, which was in turn driven by the increasing number of long-term subscriptions with lower subscription price, and (ii) increase in costs of sales due to increase in other costs, which were primarily project related expenses such as venues and temporary service staff. In 2021, gross margin of our device subscription services improved significantly to 23.2% compared to 4.5% in 2020, primarily attributable to increase in both (i) the average monthly subscription fees per device under device subscription services, due to increase in subscription of laptop computers and printers which were on average priced relatively higher, and (ii) device subscription turnover rate, as more devices were subscribed to satisfy the growing business needs of enterprises. Nevertheless, our overall gross margin remained stable at 14.5% in 2021 compared to 14.4% in 2020 due to drop in gross margin of our recycling business as explained above. In the first half of 2022, gross margin of our device subscription services continued to improve while gross margin of our device recycling business dropped as explained above, resulting in drop in overall gross margin to 11.7% in the first half-year of 2022 compared to 18.1% for the same period in 2021.

We consider that our substantial investment to provide more diversified service offering to customers and expand our customer base, which incurs higher expenses in the short-term, is essential for a solid foundation for our long-term success. We witnessed strong and robust growth in our business operation and financial condition during the Track Record Period. We intend to improve our profitability through the measures discussed in "– Our strategy to improve profitability" below. With our improving profitability, we also expect our operating cash flow to improve concurrently.

Our Strategy to Improve Profitability

We have more than 10 years of operating history in the DLM industry in China since our inception in 2004. According to CIC, we are the first company in China to have built a multi-scenario and closed-loop DLM business model. Our closed-loop DLM business model has been continuously optimizing and become the foundation of our development. During the Track Record Period, our adjusted EBITDA, which is a non-IFRS measure, reached RMB36.9 million, RMB164.5 million and RMB224.0 million for the years ended December 31, 2019, 2020 and 2021 respectively, representing a CAGR of 146.6%; and increased by 15.4% to RMB127.5 million for the first half-year of 2022 from RMB110.5 million for the same period in 2021. For details, please see "Financial Information – Non-IFRS Measure." Our net cash generated from operating activities amounted to RMB58.7 million, RMB109.9 million and RMB278.8 million for the years ended December 31, 2019, 2020 and 2021 respectively, representing a CAGR of 117.9%. Our net cash generated from operating activities amounted to RMB192.9 million for the six months ended June 30, 2022.

While we have achieved gross profit and net operating cash inflow during the Track Record Period, we recorded net losses of RMB60.3 million, RMB177.1 million, RMB448.7 million, RMB268.1 million and RMB5.8 million in 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022, respectively. Our loss-making performance in 2019, 2020, 2021 and for the six months ended June 30, 2021 was primarily attributable to (i) fair value loss of RMB10.1 million, RMB189.7 million, RMB433.9 million and RMB278.2 million in 2019, 2020 and 2021 and for the six months ended June 30, 2021, respectively, attributable to financial liabilities at FVTPL arising from investments by our Pre-[**REDACTED**] investors, which were mainly driven by the increased valuation of our Company and did not involve any cash outflow, and (ii) the increase in distribution and selling expenses as well as finance cost, driven by our business expansion.

We intend to improve our profitability by continuously increasing revenue and enhancing operational efficiency, particularly by way of: (i) expanding our customer base and market share in core regions; (ii) increasing revenue per customer through cross-selling among our service lines and device categories; and (iii) further enhancing our operational efficiency and reducing marginal costs.

Expand our customer base and market share in core regions

The numbers of customers and devices for subscriptions are crucial to our business growth. For example, our long-term device subscription customers increased from 5,068 in 2019 to 10,030 in 2021 at a CAGR of 40.7% and increased by 64.5% to 9,966 in the first half-year of 2022 from 6,058 in the same period last year. Our devices available for subscription increased from 231,505 as of December 31, 2019 to 455,357 as of December 31, 2021 at a CAGR of 40.2% and increased further to 488,993 as of June 30, 2022. Our growing numbers of customers and devices for subscription are expected to drive our revenue growth.

We intend to expand our customer base and market share in core regions by (i) upgrading our system infrastructure and further penetrating into core cities, and (ii) deepening cooperation with strategic Shareholders and business partners as well as other ecommerce platforms.

Increase revenue per customer through cross-selling among our service lines and device categories

We intend to increase the revenue per customer by promoting cross-selling among our service lines and device categories. Specifically, our device subscription customers may engage us to dispose of their de-commissioned devices and provide onsite technical support. In addition, we plan to increase revenue by promoting subscription for device categories other than laptops (including notebooks, desktops, servers, printers, and large conference screens). We intend to promote the above cross-selling via (i) introducing the updated and latest device models on its platforms from time to time, (ii) offering discount to customers engaging us for extra categories of devices and services, and (iii) including the amount of cross-selling achieved as one of the key performance indicators for our sales and marketing staff. We believe that our comprehensive DLM solutions not only enhance customer stickiness, but also increase the amount of revenue we can earn from a single customer, thereby enhancing our competitiveness and profitability.

Further improve our operational efficiency through optimizing our major costs components

We intend to improve our operational efficiency through optimizing our major costs components, primarily including depreciation, distribution and selling expenses, and finance costs. In particular, we intend to (i) through refurbishment and maintenance, extend the useful lives of fully depreciated devices for another two years, during which the relevant device can continue to generate revenue from device subscription services without any depreciation charges; (ii) improve the efficiency of distribution and selling expenses via measures discussed in "– Expand our customer base and market share in core regions" and "– Increase revenue per customer through cross-selling among our service lines and device categories." In addition, to better control our finance costs, we will continue to utilize an optimal mix of equity and debt financing to finance our business operation and future plans. We also expect to receive more favorable terms of debt financing given the [**REDACTED**] status of the Company upon the [**REDACTED**]. Moreover, we intend to increase the proportion of bank borrowings, the interest rate of which is generally lower compared to borrowings from non-bank financial institutions.

For a detailed analysis of our strategy to improve profitability, see "Business – Business Sustainability – Our Strategy to Improve Profitability."

Based on the foregoing, our Directors believe that our business is sustainable. As a result of (i) conversion of the Preferred Shares into equity upon the [**REDACTED**], and (ii) net proceeds from the [**REDACTED**], we expect our consolidated net liabilities position during the Track Record Period and as of the Latest Practicable Date to become consolidated net asset position in the foreseeable future. As of the Latest Practicable Date, we had unutilized banking facilities of approximately RMB152.4 million. Taking into consideration of financial resources currently available to us, including cash and cash equivalents on hand, of RMB206.0 million as of June 30, 2022, internally generated funds and the estimated proceeds from the [**REDACTED**], our Directors are of the view that we have sufficient working capital to meet our present needs and at least for the next 12 months from the date of this document notwithstanding that we had recorded net current liabilities and net losses throughout the Track Record Period and net liabilities as at December 31, 2020 and 2021 and June 30, 2022. Having taken into account the view and analysis of our Directors above and the due diligence conducted, nothing has come to the attention of the Sole Sponsor which would cause it to disagree with our Directors' view above.

The foregoing forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause the actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. For related risks, see "Risk Factors – Risks Relating to Our Business and Industry – Our historical growth rates may not be indicative of our future growth. If we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected."

RECENT DEVELOPMENT

No Material Adverse Change

Based on the Group's unaudited management accounts, our revenue for the nine months ended September 30, 2022 increased as compared to the same period in 2021 due to the increase in revenue across all three service lines. In addition, the number of devices for subscription increased from approximately 489,000 as of June 30, 2022 to approximately 515,000 as of September 30, 2022.

Our Directors confirm that, as of the date of this document, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since June 30, 2022, the end of the period reported on in the Accountants' Report set out in Appendix I to this document.

Expected loss for the year ending December 31, 2022

We expect to record net loss for the year ending December 31, 2022. Our estimated net loss for the year ending December 31, 2022 will be impacted by the changes in fair value of the Preferred Shares (which were issued as part of the reorganization), increase of distribution and selling expenses, increase in finance costs and increase in research and development expenses. With the increasing valuation of the Company, fair value liabilities of the Preferred Shares may continue to increase, and may continue to record fair value loss on the Preferred Shares. The Preferred Shares will be automatically converted into ordinary shares upon the [**REDACTED**], after which we do not expect to recognise any further loss or gain on fair value changes from the Preferred Shares.

In line with our overall growth strategy, we expect our distribution and selling expenses, research and development expenses and finance costs to increase in the absolute amount in 2022 compared to 2021 as we invest in sales and marketing to grow our user base and user engagement, and further enhance our brand recognition. We have also invested in various other areas including research and development capabilities to further advance our technology and customer service portals, which would in turn improve our customer experience and facilitate customer acquisition. As a result, we expect to record net loss for the year ending December 31, 2022.

COVID-19 Outbreak and Effects on Our Business

Due to the COVID-19 outbreak and its resurgence, certain of our marketing activities and customer services had been temporarily delayed or suspended. In 2020, we temporarily closed (i) our office in Wuhan in late January 2020 and resumed operation in April 2020, and (ii) our all other offices for a week in February 2020. In 2022, due to the resurgence of COVID-19 variants in China, our headquarters and offices in Shenzhen were temporarily closed for a week in March 2022, our office in Shanghai was closed in April 2022 and resumed operation in June 2022, and our office in Chengdu was closed for less than a week in early September 2022. Our employees worked from home during the temporary closure of offices, and our subsidiaries in other cities assisted these offices in handling the service requests from nearby cities. There was no loss of revenue or penalties due to suspension or cancellation of business activities or revenue loss of our Group. Our normal operations have not been adversely interrupted during the COVID-19 pandemic. Details as follows:

- *Device recycling business*. Device recycling business can effectively help enterprises to cash out from de-commissioned devices at the best price and further make the best use of enterprise resources. SMEs that closed down during the COVID-19 pandemic have generated more supply of de-commissioned devices for device recycling business and market opportunities for DLM solution providers.

- *Device subscription services*. The COVID-19 pandemic has driven most enterprises, SMEs in particular, to transform their operation mode into asset-light mode and hence turn to adopt DLM solutions. It has promoted device subscription service market in China during the COVID-19 pandemic. As a result, the demand of our device subscription services remained strong. Even though the short-term device subscription services for exhibitions and conferences and other business activities have been adversely impacted (Number of our short-term device subscription customers decreased from 6,317 as of December 31, 2019 to 4,103 as of December 31, 2020, and increased to 4,538 as of December 31, 2021. Number of our short-term device subscription customers decreased from 2,881 as of June 30, 2021 to 2,768 as of June 30, 2022), we seized the market opportunities for providing enterprise customers with subscription service for IT devices such as laptop computers when their employees worked from home.

- *IT technical subscription services*. IT technical subscription services are usually coupled with device subscription services provided by DLM solution providers. It not only provides professional IT technical services for enterprises but also helps enterprises reduce related IT maintenance and labor costs during the COVID-19 pandemic, further propelling enterprises to seek for more flexible IT solutions, including DLM solutions. Even though we were not able to provide door-to-door services for IT technical subscription during the aforesaid temporary office closures, our IT technical engineers could still provide online services through remote access to assist customers in solving IT technical issues during the course of their subscriptions.

In response to the recent resurgences of COVID-19 pandemic in China, we have adopted business contingency plans to mitigate the potential adverse impact on our business operations, including, among others, (i) we have established a general warehouse in Wuhan in 2021 to store our IT devices, which functions as a nationwide allocation center to allocate the IT devices to sub-warehouses in case of supply shortage during COVID-19; (ii) we proactively collaborated with logistic service providers to reduce the negative effect brought by COVID-19 outbreak on the delivery of IT devices and involved our customer service staffs in intra-city delivery to increase delivery flexibility; (iii) we provided remote technical support to our customers through telephone and online communications during the course of their subscriptions; and (iv) we have implemented stringent hygiene and precautionary measures at our offices to ensure the safety of our staff and regularly monitor the new cases of COVID-19 in the provinces where we have operations.

As of the Latest Practicable Date, based on the growth of our revenue (i) for the six months ended June 30, 2022 (as compared to the same period in 2021); and (ii) for the three months ended September 30, 2022 (as compared to the same period in 2021), our Directors believe that the impact of the COVID-19 on our revenue is not substantial and our financial performance, continuing business operation, sustainability, and its expansion plan had not been materially and adversely affected by the COVID-19 outbreak. For more details related to the COVID-19 outbreak, its effects on our business and our remedial measures, see "Financial Information – COVID-19 Outbreak and Effects on Our Business."

Recent Regulatory Developments

On December 28, 2021, the CAC and other 12 PRC governmental authorities jointly issued the revised Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**Revised Cybersecurity Review Measures**") which took effect on February 15, 2022. The Revised Cybersecurity Review Measures stipulate that a critical information infrastructure operator purchasing network products and services, and platform operators carrying out data processing activities which affect or may affect national security, must apply for cybersecurity review. The Revised Cybersecurity Review Measures also stipulate that a platform operator with more than one million users' personal information aiming to be listed abroad must apply for cybersecurity review. Also, the competent PRC government authority may initiate cybersecurity review in case that any member of the cybersecurity review committee believes that any network product or service or data processing activity affects or is likely to affect national security. On November 14, 2021, the CAC published the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Data Security Regulations**"), which applies to activities relating to the use of network to carry out data processing activities within the territory of the PRC. See "Regulatory Overview – Regulations Relating to Internet Security, Information Security and Data Privacy" for more details.

According to the Revised Cybersecurity Review Measures, a network platform operator with more than one million users' personal information seeking to be listed abroad must apply for cybersecurity review. According to our PRC Legal Advisor, we are highly likely to be considered as a network platform operator as we, acting as a data processor, provide device subscription and IT technical subscription services through our official website (bearrental.com), provide device management SaaS through *Bear Butler*, and sell our own de-commissioned IT devices through our proprietary quotation platform (jp.lr-amm.com). However, as of the Latest Practicable Date, we possessed the personal information of a total of 49,272 registered users from all of our websites and platform, which was far less than the one million threshold.

On May 9, 2022, our PRC Legal Advisor conducted a phone consultation with the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心, the "**CCRC**") as to whether it is necessary for us to apply for cybersecurity review. As confirmed by CCRC, we do not need to apply for such review for the [**REDACTED**] and, specifically, "listing in Hong Kong" does not constitute "listing abroad." Based on the foregoing, our PRC Legal Advisor is of the view that we are not obliged to apply for cybersecurity review for the [**REDACTED**] under the current regulatory regime.

Pursuant to Article 16 of the Revised Cybersecurity Review Measures, the competent PRC government authorities may initiate cybersecurity review where the purchase of any network products or services or any data processing activities affects or is likely to affect national security. According to our PRC Legal Advisor, as the types of data processed by the Group are mainly transaction data and user data for registration authentication, which have not been recognized as "essential data" or "national core data" by the competent PRC government authorities or have been determined to be endangering national security and public interests by any regulatory authority, the risk of the competent PRC government authorities initiating cybersecurity reviews on us is low. The Sole Sponsor's PRC legal advisor concurs with the foregoing analysis as to the related PRC Laws by our PRC Legal Advisor.

According to our PRC Legal Advisor and as confirmed by our Directors, if the Draft Data Security Regulations were to be implemented in their current form, the Group would be in compliance with the Revised Cybersecurity Review Measures and the Draft Data Security Regulations in all material aspects. In addition, according to our PRC Legal Advisor and as confirmed by our Directors, the Revised Cybersecurity Review Measures and the Draft Data Security Regulations, if implemented in their current form, would not have a material adverse effect on our business operations or the [**REDACTED**]. See "Business – Data Privacy and Information Security Risk Management – Recent Regulatory Developments" for details.

Having taken into account the view and analysis of our Directors and the PRC Legal Advisor as described above as well as the due diligence conducted, nothing has come to the attention of the Sole Sponsor which would cause it to disagree with the reasonableness of our Directors' view that (i) the Group would be in compliance with the Revised Cybersecurity Review Measures and the Draft Data Security Regulations in all material aspects if the Draft Data Security Regulations were to be implemented in their current form; and (ii) the Revised Cybersecurity Review Measures and the Draft Data Security Regulations, if implemented in their current form, would not have a material adverse effect on our business operations or the [**REDACTED**].

[REDACTED] STATISTICS

All statistics in the following table are based on the assumptions that: (i) the [**REDACTED**] has been completed and [**REDACTED**] Shares are issued pursuant to the [**REDACTED**], (ii) the [**REDACTED**] is not exercised; and (iii) unless stated otherwise, [**REDACTED**] Shares are issued and outstanding following the completion of the [**REDACTED**].

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]
Market capitalization immediately after the [**REDACTED**][(1)]	HK$[**REDACTED**] million	HK$[**REDACTED**] million
Unaudited pro forma adjusted consolidated tangible assets less liabilities per Share[(2)(3)]	HK$[[**REDACTED**]]	HK$[[**REDACTED**]]

Notes:

(1) The calculation of market capitalization is based on [**REDACTED**] Shares expected to be in issue immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

(2) The unaudited pro forma adjusted consolidated tangible assets less liabilities of the Group attributable to owners of the Company as at June 30, 2022 per Share is calculated after making the adjustments referred to "Unaudited Pro Forma Financial Information" in Appendix II to this document and on the basis of a total of [**REDACTED**] shares in issue assuming that the Capitalization Issue and [**REDACTED**] has been completed on June 30, 2022 and without taking into account the [**REDACTED**] shares (after the effect of Capitalization Issue) held by LX Brothers and Beauty Bear for employee incentive platforms of the Group, the [132,842,193] shares which may be redesignated as ordinary shares from the Company's preferred shares upon completion of the [**REDACTED**] and the related effect of the Capitalisation Issue, any shares which may be issued upon the exercise of the [**REDACTED**] or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandates.

(3) The unaudited pro forma adjusted consolidated tangible assets less liabilities of the Group attributable to owners of the Company as at June 30, 2022 per Share have not taken into account the effect of the redesignation of the Company's preferred shares into ordinary shares of the Company upon completion of the [**REDACTED**] (the "**Subsequent Transactions**") which would have adjusted the unaudited pro forma adjusted consolidated tangible assets less liabilities of the Group attributable to owners of the Company as at June 30, 2022 by [RMB[**REDACTED**]] to unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company of [RMB[**REDACTED**]] based on an [**REDACTED**] of [HK$[**REDACTED**]] per [**REDACTED**] and unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company of [RMB[**REDACTED**]] based on an [**REDACTED**] of [HK$[**REDACTED**]] per [**REDACTED**] and would have increased the total number of shares in issue by [**REDACTED**] shares to a total of [**REDACTED**] shares in issue. Had such Subsequent Transactions been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2022 per Share would be [RMB[**REDACTED**]] (equivalent to [HK$[**REDACTED**]]) based on an [**REDACTED**] of [HK$[**REDACTED**]] per [**REDACTED**] and [RMB[**REDACTED**]] (equivalent to [HK$[**REDACTED**]]) based on an [**REDACTED**] of [HK$[**REDACTED**]] per [**REDACTED**], respectively. It does not take into account the [**REDACTED**] shares (after the effect of Capitalization Issue) held by LX Brothers and Beauty Bear for employee incentive platforms of the Group, any shares which may be issued upon the exercise of the [**REDACTED**] or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandates. Please refer to "Unaudited Pro Forma Financial Information" in Appendix II to this document for the exchange rate of RMB to HK$.

DIVIDEND POLICY

As advised by our Cayman Islands legal advisor, under Cayman Islands law, a position of accumulated losses and net liabilities does not necessarily restrict our Company from declaring and paying dividends to our Shareholders out of either our profit or our share premium account, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business. As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board.

No dividends have been paid or declared by our Company since its incorporation or any member of the Group during the Track Record Period and up to the Latest Practicable Date. Currently, we do not have a formal dividend policy or a fixed dividend distribution ratio. For more information, see "Financial Information – Dividends."

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$[**REDACTED**] million from the [**REDACTED**], after deducting the [**REDACTED**] commissions and other estimated expenses payable by us in connection with the [**REDACTED**], assuming that the [**REDACTED**] is not exercised and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] range set forth on the cover page of this document). We intend to use such net proceeds from the [**REDACTED**] for the purposes and in the amounts set forth below:

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to improve customer experience to satisfy the evolving customer demands;

  (i) Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to expand the scale of IT devices under our management and develop DLM solutions products and services for different scenarios, such as digital printing solutions and integrated cloud-based conferencing solutions, etc.

  (ii) Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to continue to refurbish and upgrade de-commissioned IT devices to extend their service life and upgrade their performance and improve customer experience.

(iii) Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to improve our technical service capabilities, recruit technical professionals with extensive technical service experience and provide professional training to the team, increase the coverage of service personnel in core cities and CBDs, and address customers' demand in a more responsive manner in these regions.

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to expand customer base and our market share in targeted markets;

(i) Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to expand our elite sales team and improve the training system for sales team to strengthen our sales network, broaden our service categories in core cities and CBDs, and expand our customer base of growing enterprises.

(ii) Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to enhance our brand awareness and industry influence through online and offline marketing and brand promotion, and increase awareness and engagement of customers.

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used for system upgrade and product development;

(i) Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to further enhance technology capabilities and upgrade system infrastructure to improve our operational efficiency, asset management efficiency and asset utilization rate.

(ii) Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to upgrade and enhance the functionalities of our SaaS products by introducing features such as IoT technology and intelligent inventory counts to cover more business and application scenarios for enterprises to manage the full lifecycle of fixed assets.

(iii) Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to co-develop customer service portals with third-party business partners with the core capabilities of the DLM system through standard technical interfaces, so that third-party business partners can provide DLM solutions on their own platforms.

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to strengthen risk management capabilities; and

  (i) Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to expand the application of artificial intelligence technology, upgrade the intelligent risk control model and enhance real-time corporate credit assessment capabilities. We also plan to upgrade and optimize our intelligent credit granting, anti-fraud and early risk warning systems to improve the efficiency and accuracy of risk assessment.

  (ii) Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to establish internal and offline risk control teams, and improve online and offline integrated risk control capabilities.

- the remaining approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used for working capital and general corporate purposes.

For more information, see "Future Plans and Use of Proceeds."

[**REDACTED**]

[**REDACTED**] to be borne by us are estimated to be approximately RMB[**REDACTED**] million (assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**], assuming no exercise of the [**REDACTED**]), including [**REDACTED**] commissions and fees of approximately RMB[**REDACTED**] million, and [**REDACTED**] related expenses of approximately RMB[**REDACTED**] million, which consist of accounting and legal fees and expenses of approximately RMB[**REDACTED**] million and other fees and expenses of approximately RMB[**REDACTED**] million. During the Track Record Period, we incurred [**REDACTED**] of approximately RMB[**REDACTED**] million, out of which approximately RMB[**REDACTED**] million was charged to our consolidated statements of profit or loss, and approximately RMB[**REDACTED**] million was recognized as other receivables, deposits and prepayments in the consolidated statement of financial position as of June 30, 2022 to be accounted for as a deduction from equity upon the [**REDACTED**]. After June 30, 2022, approximately RMB[**REDACTED**] million is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[**REDACTED**] million is expected to be accounted for as a deduction from equity upon the [**REDACTED**]. Our [**REDACTED**] as a percentage of gross proceeds is [**REDACTED**]%, assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] range stated in this document) and assuming no exercise of the [**REDACTED**]. The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the [**REDACTED**] of, and permission to deal in, our Shares in issue and to be issued pursuant to the [**REDACTED**], on the basis that, among other things, we satisfy the market capitalization/revenue/cash flow test under Rule 8.05(2) of the Listing Rules with reference to (i) our revenue in 2021, being RMB1.3 billion (approximately HK$1.4 billion), which is over HK$500 million, (ii) our positive cash flow from our operating activities for the three years ended December 31, 2021 in aggregate, being RMB447.4 million (approximately HK$494.0 million), which is over HK$100.0 million; and (iii) our expected market capitalization at the time of the [**REDACTED**], which, based on the low end of the indicative [**REDACTED**] range, exceeds HK$2.0 billion.