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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 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

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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.

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Our Business Model

Our DLM solutions directly tackle the pain points of enterprises during procurement, maintenance, management and disposal of IT devices, relieving them of substantial financial pressure for one-time purchase of IT devices, slow technical support responses, insufficient flexibility in IT device management and low utilization rates of IT devices. Our DLM solutions mainly consist of device recycling business, device subscription services, IT technical subscription services and device management SaaS.

See “– Our Business Model – Overview” for details.

Our Operation Highlights

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%; and increased by 59.1% from RMB536.9 million for the six months ended June 30, 2021 to RMB854.0 million for the six months ended June 30, 2022. 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 increased by 15.4% from RMB110.5 million for the six months ended June 30, 2021 to RMB127.5 million for the six months ended June 30, 2022. 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, respectively, in 2019, 2020 and 2021; and 126.4% and 122.6%, respectively, for the six months ended June 30, 2021 and 2022.

Our device management SaaS serves as a bridge connecting our device recycling business, device subscription services and IT technical subscription services, as well as enhancing user stickiness. We were in business collaborations with over 1/2 of the top 30 Internet companies including, among others, our strategic Shareholders and business partners JD.com and Lenovo, during the Track Record Period for our device recycling business and device subscription services, providing strong revenue contribution and steady device supplies. In addition, we have attracted and retained a large number of customers which contributed to our revenue growth during the Track Record Period, a majority of which was attributable to our KA customers. During the Track Record Period, our KA customer growth rate reached 37.6%, 55.5%, 48.6% and 20.6% as of December 31, 2020 and 2021 and June 30, 2021 and 2022, respectively. We also generated KA customer retention rate of 78.9%, 80.3%, 84.2% and 84.8%, respectively, as of December 31, 2019, 2020 and 2021 and June 30, 2021. Each KA

(1) We define EBITDA (a non-IFRS measure) as loss and total comprehensive expense for the year 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 the section headed “Financial Information – Non-IFRS Measure” of this document.

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customer contributed an average revenue of RMB82,436, RMB117,101 and RMB153,312 of long-term device subscription services in 2019, 2020 and 2021, respectively, representing a CAGR of 36.4%; and RMB76,424 and RMB73,384 for the six months ended June 30, 2021 and 2022, respectively.

See “– Our Business Model – Key Operating Data” for details.

Our corporate growth history encompasses three eras, representing our past, present and future:

- Era 1.0: We became an IT device subscription service provider in China as a first-mover in the industry
- Era 2.0: We offered the DLM solutions in China, having accomplished integration and a closed-loop of DLM
- Era 3.0: We desire to establish a strong network connecting with more market participants and leverage our industry experience and resources to lead the formation of a DLM ecosystem as a forerunner

Capturing on opportunities brought by new economy companies and emerging business models in China with needs to reduce costs and achieve more efficient IT device utilization, we believe that our flexible, scalable and all-encompassing DLM solutions will enable our customers to maintain a competitive edge against other industry participants.

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

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. We are highly recognized, with high demand for our services leading to our significant growth and increase in revenue during the Track Record Period. 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% during this period. While at the same time, according to CIC, the market size of China’s DLM industry has grown from RMB19.7 billion in 2019 to RMB34.5 billion in 2021 in terms of revenue, representing a CAGR of 32.5% during the same period. Leveraging our market-leading position in China’s DLM industry, we believe that with our proven track record, we can enjoy sustainable growth over a prolonged period in this fast-growing market.

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Our DLM, which consists of device recycling business, device subscription services, IT technical subscription services and device management SaaS, integrates our hardware and software as well as supplier and customer resources to comprehensively solve the critical issues encountered in the device management of China’s enterprises. These issues include low utilization rates of IT devices, hefty costs for IT technical subscription services and IT device procurement, slow technical support responses and insufficient flexibility in IT device management. Our goal is to facilitate office device management for enterprises and to enhance the utilization rate of, and recreate value for, enterprise IT devices.

Since our inception in 2004, we have witnessed a rising DLM industry in China. After nearly two decades, we have established a reputable corporate image and a strong brand. We enjoy a leading position in China’s DLM industry in the following respects:

- *First-mover advantage.* According to CIC, we are one of the first companies to enter China’s DLM industry. With years of in-depth development and growth assisted by our superior capabilities, we have successfully created a closed-loop DLM business model.
- *Comprehensive service categories.* Our comprehensive DLM solutions have increased customer stickiness and the likelihood that a new corporate user starts purchasing one or more of our services. In addition, we offer a broad range of devices with multiple types and configurations for selection, including widely used brands of desktop and laptop computers, monitors, servers, printers, photocopiers and conference video systems, such as Lenovo, HP, Dell and Apple. As a result, the number of our long-term device subscription customers increased from 5,068 in 2019 to 6,671 in 2020 and further to 10,030 in 2021, representing a CAGR of 40.7% during this period; and increased by 64.5% from 6,058 for the six months ended June 30, 2021 to 9,966 for the six months ended June 30, 2022.
- *Superior operational efficiency.* We benefit from our superior operational efficiency enabled by the scale of our wide range of services and supported by our powerful IT system that covers functions including the front-desk customer service, middle-office business processing, order settlement and delivery and office asset management, and back-end business integration, automated financial information generation and logistics management.
- *Strong support from strategic Shareholders.* We have received investment and valuable resources from our strategic Shareholders, including customer resources in our downstream business sectors and supply chain resources in our upstream business sectors. For example, we have received strong support from, and achieved positive synergies with, strategic Shareholders including JD.com. Such strategic collaboration has helped expand our source of funds, broaden our sales channels and supplement our supply chain resources.

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Enhanced device utilization and customer stickiness benefiting from the closed-loop business model

Our closed-loop DLM business model differentiates us from our competitors as we are able to offer a diversified service portfolio compared to other market players in operating in the DLM industry with limited service offerings that enhances enterprises’ use of IT devices on our one-stop platform with a broad spectrum of device management functionalities, increasing our customer stickiness. With years of experience, we have developed a deep understanding of China’s enterprises’ needs for DLM, such as flexibility for enterprises to subscribe IT devices and to scale up and down as needed. Based on this understanding, we initially commenced device subscription services and IT technical subscription services, and later broadened our service categories to include device recycling business and device management SaaS. We ultimately formed a closed-loop DLM business model which has created synergies among our service categories in the following ways:

- *Full utilization of IT devices among different service categories.* 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. In our device recycling business, we purchase and refurbish decommissioned IT devices with high residual value that enterprises no longer need and re-categorize them as inventory for our device subscription services, prolonging the lifecycle of IT devices. Moreover, the utilization rate of IT devices has also 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.
- *Increased customer stickiness from the cross-selling among our service categories.* The users of our different service categories may be attracted to purchase multiple services. This cross-selling process is facilitated by our *Bear Butler* software application by recommending and promoting the advantages of engaging our DLM solutions, which have effectively enhanced our customer stickiness. Consequently, our operating expense ratio (i.e. the aggregate of distribution and selling expenses and administrative expenses) dropped from 22.7% in 2019 to 11.8% in 2021, and from 12.8% for the six months ended June 30, 2021 to 11.7% for the six months ended June 30, 2022.

Our closed-loop DLM model provides us with an independently-built and self-operated service system centered on creating superior customer experience, covering logistics and post-sales functions. Our service system helps enhance customer experience while improving and optimizing the process through operational data collection and analysis. In addition, it helps us gain deeper insights into our customer’s business risks. When certain business risks are detected, we are able to take measures, such as retrieving devices provided to device subscription service customers, in a timely fashion.

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Rapidly expanding customer base through reliable customer outreach channels

We have maintained large user traffic benefiting from our partnership with our strategic Shareholders and business partners. In particular, we have co-developed customer service portals z1.jd.com and zulin.jd.com in cooperation with JD.com on the homepage of JD.com’s e-commerce platform, through which enterprise customers of JD.com are able to access and subscribe for our DLM solutions and complete the transaction via these portals directly. Our cooperation with Lenovo is similar to the one with JD.com discussed above. Having served as its designated business partner in respect of office equipment solutions, Tencent WeStart (騰訊眾創空間) would recommend our DLM solutions to the entrepreneurs and start-ups in the Tencent WeStart hub. Recommendations by Tencent WeStart are favorable to our credibility and position us better among providers of similar solutions.

Aided by our customer acquisition channels, we are capable of expanding the depth and breadth of our services while maintaining stable and long-term collaborations with our KA customers. For the year ended December 31, 2021, we had a diverse customer base consisting of more than 10,000 customers spanning from traditional to new economy industries, among which KA customers contributed a majority of revenue. During the Track Record Period, we maintained high KA customer retention rate, achieving 78.9%, 80.3%, 84.2% and 84.8%, respectively, as of December 31, 2019, 2020 and 2021 and June 30, 2021. Each KA customer contributed an average revenue of RMB82,436, RMB117,101 and RMB153,312 of long-term device subscription services, respectively, in 2019, 2020 and 2021, representing a CAGR of 36.4%, and RMB76,424 and RMB73,384, respectively, for the six months ended June 30, 2020 and 2021. We also achieved NDRR of 117.4%, 113.8% and 138.8%, respectively, in 2019, 2020 and 2021; and 126.4% and 122.6%, respectively, for the six months ended June 30, 2021 and 2022. In addition, we value our service coverage for new economy companies and help them transform to asset-light operating entities. With the expansion of business and personnel scale of such companies, their needs for DLM solutions have increased, contributing to our business growth.

Robust and multifaceted operational management capabilities

Our comprehensive management capabilities are crucial to our business success. We possess strong risk control capabilities, device operation management capabilities, information security protection capabilities and supply chain capabilities.

- *Risk control capabilities.* Risk control capabilities are important to our reputation, business development, operational efficiency and financial performance. We believe an effective and sound risk control system helps reduce our operational risks while at the same time lays the foundation for business innovation, thus improving our abilities to serve our customers. Based on the DLM industry’s characteristics, we have established an “online + offline” two-dimensional risk control model that integrates an online intelligent credit profile review system and an offline manual assistance mechanism. The risk control model enables us to encrypt and store customer data and review customer credit profile to minimize security risk. Our comprehensive credit profile review system features over 100 parameters, covering

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multiple aspects such as enterprise status and founders, types of enterprises and industries and locations of office sites. The parameters are adjusted as per our business evolves. Through our offline manual assistance mechanism, we conduct on-site review for first-time customer purchases, with regular on-site inspection during the subscription period and retrieve devices upon identifying material risks. Equipped with our risk control model, we have launched a program from which customers are able to enjoy deposit-free services based on their credit profile. During the Track Record Period, our impairment loss under expected credit loss model as a percentage of revenue decreased from 0.4% in 2019 to 0.2% in 2020 and further to 0.1% in 2021, which is below the industry average ranging from 2% to 5%, according to CIC. This is consistent with our continuing effort in strengthening risk management capabilities.

- *Device operation management capabilities.* Leveraging our extensive experience and practices accumulated over the years, we have developed an effective IT device operation management system, through which our enterprise users are able to accurately and efficiently manage configurations and subscription status of IT devices. Built on such capabilities, we offer device management SaaS, enabling enterprise users solve their issues and difficulties encountered during the process of their office IT device management, such as the lack of technical teams for operation and maintenance and slow technical support responses. Our device operation management application, *Bear Butler*, enables enterprise users to manage the procurement, allocation, repairment, maintenance and disposal of their office IT devices, either in-house or provided by us to our device subscription service customers.
- *Information security protection capabilities.* We adopt prudent measures to ensure information security of our enterprise users. Our data protection measures feature data authorization levels and cross-review mechanisms. We encrypt customers’ data with our proprietary technologies and ensure our technologies are up-to-date. We also provide secure data processing services for device recycling business customers releasing their de-commissioned IT devices which may contain trade secrets that needs to be securely protected. By adopting effective data removal and destruction techniques, including data erasing and physical destruction of hardware, we ensure our customers’ data media are securely protected.
- *Supply chain capabilities.* Our strong supply chain capabilities have laid a solid foundation for our high-quality services. We have established collaborations with leading office equipment manufacturers and internet companies. In particular, we are in cooperation with JD.com, a leading supply chain-based technology and service provider. Not only are we able to secure a stable and high-quality equipment supply from leading equipment manufacturers, which benefits our device subscription services, but we are also able to drive the growth of our device recycling business by capitalizing on the equipment upgrades and replacement process of top internet companies.

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Powerful in-house IT system driving operational efficiency

We believe the digital transformation of enterprises is a destined trend and an indispensable way for most enterprises to achieve significant improvement in quality and efficiency in operations. According to CIC, we are one of the first companies that has achieved digital transformation in the DLM industry. Our integrated in-house IT system is capable of performing numerous functions including the front-desk customer service, middle-office business processing, order settlement and delivery and office asset management, and back-end business integration, automated financial information generation and logistics management.

Our IT system supports our ability to better serve our customers in the course of business operations. We are able to procure customized IT devices with specific functions from manufacturers or their agents, to satisfy the specific needs of our customers from different industries through data collected, analyzed and summarized leveraging our IT system. As undesired functions are removed from the devices before the subscription, our customers’ operating costs can be decreased due to such customization.

In addition, our digital supply chain management system facilitates our procurement and storage arrangements on a real-time basis to ensure optimal supply. Such system has enabled the full-process digitalization of selection, procurement, delivery and warehousing of IT devices. We place customized orders to IT equipment manufacturers to meet our customers’ diversified needs according to customers’ preferences, configuration and brands of the desired IT devices. We track digitally the device’s original value, depreciation and estimated residual value during the entire process from procurement to delivery. Furthermore, our inventory levels are managed through an online warehousing system. We utilize this digital warehousing system to design our marketing and promotion strategies as well as helping our customers with device selection, and to match the inventory level with real-time customer needs.

Capitalizing on our industry-leading technology which propelled our business digital transformation, we apply cutting-edge technology to our risk control system and service system with artificial intelligence (AI) and big data analysis, for reinforcing superior quality of customer services, durable security and utmost efficacy of our services. In particular, we have deployed AI face recognition technology to ensure the accuracy and authenticity of customers’ data, which provides identification verification ensuring only authorized administrators of our corporate customers are able to access their respective registered accounts. We have also leveraged the AI calling system for our IT technical subscription services to improve the quality of customer services. The system intelligently analyzes the IT technical problems and instantly provide solutions and responses to customers by automatic simulating human voices, providing an alternative for customers to solve their IT technical problems immediately, which considerably improves the efficacy of our IT technical subscription services. In addition, by applying big data analysis technology, we are able to identify potential risks and take precautionary measures accordingly. For example, with our proprietary software such as Bear Big Data Intelligent Credit Granting Platform (小熊大數據智能授信平台V1.0), we apply big data analysis technology to analyze their corporate information such as date of establishment, address, and registered capital, as well as their credit records on purchasing devices

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subscription services to assess creditworthiness of our potential customers and determine their appropriate credit limit individually. For further details of our proprietary software, please see “Appendix IV – Statutory and General Information.”

A visionary founder and seasoned management team

We are led by a visionary founder whose deep business insights have driven the sustainable development of our business. Our founder and chief executive officer, Mr. Hu Zuoxiong, has more than 20 years of industry experience. Mr. Hu was named as one of the “Pioneers of Digital Transformation in China” (中國數字化轉型先鋒人物) in the November 2019 version of Harvard Business Review. In September 2020, Mr. Hu co-authored a case report which illustrated the history and success of our digitalization transformation. This report was listed as a collected case by the Guanghua School of Management of Peking University (北京大學光華管理學院). His strategic vision based on his unrivaled experience has helped us create the first-in-industry closed-loop DLM business model.

Besides, we maintain a seasoned management team who are deeply rooted in the industry. Our CTO, Mr. Chen Xiuwei, has been dedicated to the research and development of system algorithms for over 10 years. Mr. Chen has served as an assistant researcher at Microsoft Research Asia and the chief technology officer of a PRC company listed on the Hong Kong Stock Exchange, successively. See “Directors and Senior Management – Board of Directors – Executive Directors” for details. Our CFO, Mr. Jiang Zeli, has nearly 20 years of experience in accounting and finance. See “Directors and Senior Management – Senior Management” for details.

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

We intend to pay close attention and capitalize on changes in market trends, proactively explore the evolving needs of enterprises and broaden our service categories. We plan to expand our customer base while increasing revenue from our existing customers. For example, we expect to attract companies in new economy with bespoke services targeted to their needs. We also plan to establish a team of elite sales personnel and train them to intensify our marketing efforts, to help expand our sales network, diversify customer sources, increase our customer acquisition rate and gain more customer leads. At the same time, by utilizing our cross-selling capabilities, we strive to establish comprehensive solutions to our existing customers and enhance customer stickiness and revenue contribution per customer.

Furthermore, we plan to enhance our service capabilities through incorporating more customer-desired combinations in our service categories covering all industry verticals. In particular, we aim to focus on the development and increase the revenue contribution of the

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comprehensive solutions for printing and conference set-up services, which we have successfully launched as a specific type of our device subscription services in late 2021 benefiting from the huge pool of potential customers from our customer acquisition channels. Specifically, we aim to exemplify cases of our brand customers based on their unique service models and promote them to target companies through online and offline means.

We expect to use approximately [REDACTED]%, or HK\$[REDACTED] million, from the net proceeds of the [REDACTED] to broaden our customer base and service categories, including expanding our elite sales team, strengthening our sales network and enhancing our brand awareness and industry influence through online and offline marketing and brand promotion. See “Future Plans and Use of Proceeds – Use of Proceeds.”

Expand our services in core cities and their CBDs

We aim to expand our footprints in first- and second-tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen. We aim to further amplify our market share in the cities in which we have established presence. We also aim to spread our influence in these cities’ CBDs. We are optimistic about the long-term value of CBDs, the high density of which makes it easier to deliver integrated and low-cost services. In the future, we plan to increase our coverage of and enhance customer concentration in, key business districts.

Leveraging our presence in key existing markets, we will grow our brand awareness and strengthen our influence in new and existing industries by conducting service benchmarking, precision marketing and brand promotion in various industries, and thus attract and retain more enterprise users and achieve business scale in a broader market.

We expect to use approximately [REDACTED]%, or HK\$[REDACTED] million, from the net proceeds of the [REDACTED] to expand our services in core cities and their CBDs, and expand our customer base of growing enterprises. See “Future Plans and Use of Proceeds – Use of Proceeds.”

Promote our operational management capabilities of IT devices during the full device lifecycle

We aim to continuously promote our capability to refurbish de-commissioned IT devices to extend their service life and upgrade their performance and improve customer experience, in which we expect to use approximately [REDACTED]%, or HK\$[REDACTED] million, from the net proceeds of the [REDACTED]. See “Future Plans and Use of Proceeds – Use of Proceeds”. In addition, we plan to upgrade our digital IT system to incorporate the classification of corporate users and business scenarios. In this way, the device’s turnover can be improved in an efficiency way as its circulation among different users under different scenarios. Having met corporate users’ specific needs, we will also be able to provide an optimal solution. Furthermore, we will continuously strengthen our disposal capabilities of second-hand devices, either purchased from our device recycling business users or de-commissioned from our self-owned devices for subscription, to optimize their residual value.

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Advance investment in technology to optimize operational efficiency

Our operational capabilities are built upon the foundational technologies and data generation capabilities and nurtured through our years of operations, which are crucial to our providing more efficient services. We believe our continuous investment in technology will become a driving force for our future business growth. We aim to further advance our digital IT system through timely innovation and upgrades to optimize our operational efficiency. We plan to strengthen our technological capabilities by continuously investing in emerging technologies, such as AI, to make full use of the large customer base and transaction data accumulated in our IT system. We also expect to enhance our intelligent matching capabilities to increase the likelihood for a customer to effect a transaction, improving both customer loyalty and service affordability.

In addition, we plan to improve our operational efficiency by integrating third-party value-added services to our platform. We will continue to optimize our service and operating process through digital transformation. For example, we plan to increase our cross-selling capabilities among different service categories by further studying the synergies between our device recycling and device subscription services, increasing revenue contribution per customer.

We expect to use approximately [REDACTED]%, or HK\$[REDACTED] million, from the net proceeds of the [REDACTED] to enhance our technology capabilities and upgrade system infrastructure to improve our operational efficiency. See “Future Plans and Use of Proceeds – Use of Proceeds.”

Strengthen our credit-based supervision mechanism by enhancing our risk management capabilities

We plan to strengthen our credit-based supervision mechanism by upgrading our business database and optimizing our risk control model during the course of business. A sound risk control model is the basis for a healthy credit-based supervision mechanism, which lays a foundation for our operations and business growth. Specifically, we aim to improve the efficiency and accuracy of risk assessment. We will establish a more intelligent risk monitoring system to more accurately predict the location of risk occurrence and dispatch personnel to solve the problems in a timely manner. In addition, we aim to expand our risk management team and recruit more risk management experts. We also plan to build an in-house offline risk management team.

We expect to use approximately [REDACTED]%, or HK\$[REDACTED] million, from the net proceeds of the [REDACTED] to strengthen our risk management capabilities, including upgrading our risk control model and recruiting risk control teams. See “Future Plans and Use of Proceeds – Use of Proceeds.”

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OUR BUSINESS MODEL

Overview

DLM covers the full lifecycle of an IT device, which primarily consists of procurement, maintenance, management and disposal. DLM enables better control over device functionality and easier device troubleshooting, which largely enhances the reliability of IT devices. DLM has become critical for enterprises to ensure a reliable, efficient and secure IT device management system. However, most enterprises still rely on their in-house IT specialists or local small-scale service providers for the management of IT devices, according to CIC.

Our DLM solutions directly tackle such 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.

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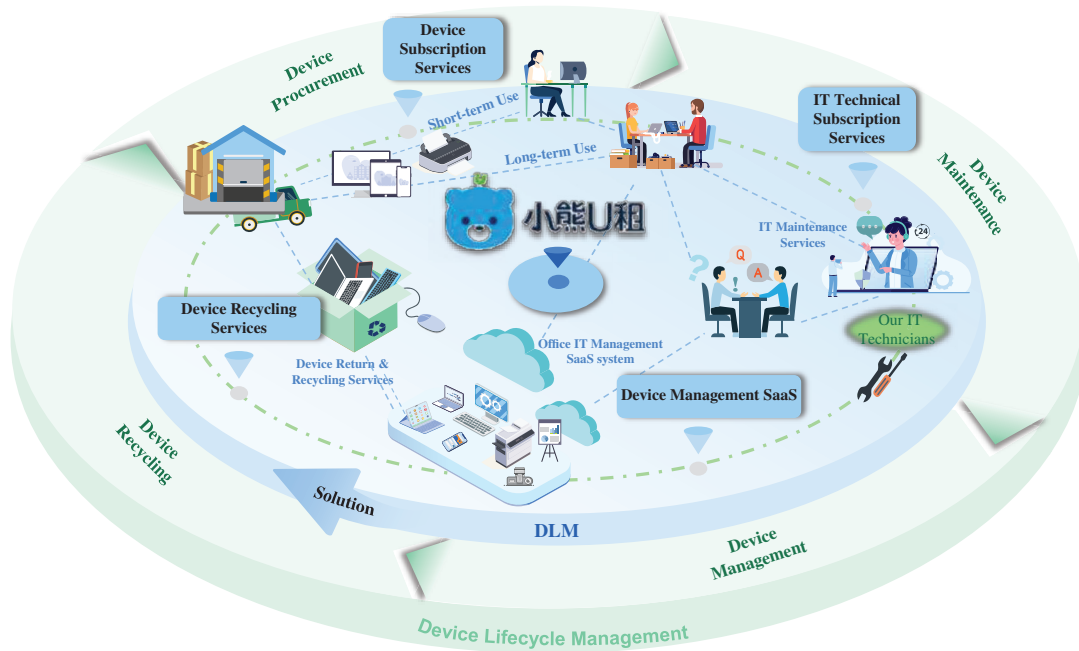
- *Device subscription services.* Our device subscription services primarily include selecting IT devices (including brand new devices and de-commissioned devices after refurbishment) suitable for users, assembling devices, pre-installing device configurations and customizing system settings. We offer 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.

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.

Our customers can choose among the four categories of services in the desired combinations to address their specific needs depending on their particular business development stages and diverse operational scenarios to achieve optimal office asset allocation and capital expenditure, as well as enhance human resource allocation and operational efficiency.

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The figure below illustrates our closed-loop DLM business model during the full device lifecycle:



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 (<i>device</i>)	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 ⁽¹⁾ (<i>RMB</i>)	252,791	722,566	839,608	82.2%	682,835	1,060,598
Average sales value ⁽²⁾ (<i>RMB/device</i>)	1,211.6	914.5	876.9	(14.9%)	1,232.1	1,261.2

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

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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	
	2019	2020	2021		June 30,	2022
					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 ⁽³⁾ (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

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

** Total device subscription volume represents the total amount of times our devices are subscribed by the customers in a given year/period. As the devices are subscribed for a period of time, we track the total amount of times that our devices have been leased out in a given year/period, and do not keep a separate record for the year/period-end numbers.

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	Year ended December 31,			CAGR*	Six months ended	
	2019 2020 2021				June 30,	
					2021	2022
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 ⁽⁴⁾	117.4%	113.8%	138.8%	N/A	126.4%	122.6%
KA customer growth rate ⁽⁵⁾⁽⁶⁾	72.7%	37.6%	55.5%	N/A	48.6%	20.6% ⁽⁶⁾
KA customer retention rate ⁽⁷⁾	78.9%	80.3%	84.2%	N/A	84.8%	N/A ⁽⁷⁾

Notes:

- (1) Average revenue per device recycling customers represents the device recycling income divided by the number of device recycling customers in a given year/period.
- (2) Average sales value represents the total sales value of de-commissioned devices divided by the number of devices sold in a given year/period.
- (3) Our average monthly subscription price is measured as follows:

$$\text{Average monthly device subscription price in a given year/period} = \frac{\text{revenue from device subscription services}}{\text{subscription volume during a given year/period}}$$

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- (4) Net dollar retention rate, a metric used to measure a company's capability to generate revenue from long-term device subscription returning customers.

Our NDRR is measured as follows:

$$\text{NDRR in a given 12-month period} = \frac{\text{revenue in the given 12-month period from the long-term device subscription customers returned from the preceding 12-month period}}{\text{revenue generated from the long-term device subscription customers in the preceding 12-month period}}$$

As advised by CIC, it is an industry practice for DLM solution companies to use NDRR to measure the capability to generate revenue from long-term device subscription returning customers. As the number of devices and services subscribed by each retained customer may also increase, the number of retained customers alone cannot provide a complete picture about the extent of a DLM solution company's customer retention. The DLM solution companies hence adopt NDRR which can be better evaluate the relationship between the customer retention and the revenue growth. The DLM solution companies use a standard approach to calculate NDRR, with a few discrepancies in the statistics caliber of data.

- (5) KA customer represents our customers under our long-term device subscription services subscribing 30 devices or more as of January 1 of a particular year.

As advised by CIC, KA customers play an important role in the business development for a DLM solution company. Although the exact scope of KA customers among different companies may vary due to their different business strategies and layout, the common key features for KA customers mainly consist of two aspects: (i) customers with large contribution to the company's revenue, and (ii) customers with high potential to contribute to the company's business and revenue growth in the future. Given that KA customers have large contribution and/or high potential to contribute to the company's revenue growth, the number of KA customers and the associated growth and retention rates have been commonly used as key metrics to evaluate their business growth. In light of the foregoing, CIC is of the view that KA customers and the associated growth and retention rates are generally considered as appropriate industry metrics in the DLM industry.

- (6) Our KA customer growth rate is measured as follows:

$$\text{KA customer growth rate} = \left(\frac{\text{number of KA customers in a given year}}{\text{number of KA customers in the preceding year}} - 1 \right) \times 100\%$$

We used the number of KA customers under our long-term device subscription services subscribing 30 devices or more as of July 1 of the relevant years to calculate the KA customer growth rates as of June 30, 2021 and 2022, respectively.

- (7) Our KA customer retention rate is measured as follows:

$$\text{KA customer retention rate} = \frac{\text{number of KA customers retained as of January 1 of a given year and that of the following year}}{\text{number of KA customers as of January 1 of that given year}} \times 100\%$$

We used the number of KA customers under our long-term device subscription services subscribing 30 devices or more as of July 1 of the relevant years to calculate the KA customer retention rate for the six months ended June 30, 2021. The KA customer retention rate as of June 30, 2022 will become available on or after July 1, 2023.

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During the Track Record Period, we provided laptop computers, desktop computers, mobile phones, tablet computers, all-in-one computers, printers, photocopiers, servers and conference-related and other devices for subscription. The following table sets forth the average estimated useful lives and average aging of our major types of devices for subscription as of June 30, 2022:

	Average estimated useful lives⁽¹⁾ (months)	Average aging (months)⁽²⁾
Devices for subscription	65.7	19.8
– Laptop computers	65.5	18.2
– Desktop computers	66.3	20.9
– Mobile phones and tablet computers	61.8	21.3
– All-in-one computers	68.1	26.5
– Conference-related and other devices	62.2	25.0
– Printers and photocopiers	65.3	19.3

Notes:

- (1) We assume the estimated useful lives of brand-new devices to be 72 months, and second-hand devices to be 48 months.
- (2) Our devices for subscription are categorized as our property, plant and equipment. The average aging of a given type of devices is measured as the average months for which depreciation has been accrued for all devices of the given type.

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The following table sets forth the average monthly utilization rates⁽¹⁾ of our major types of devices for subscription for the periods indicated:

	Year ended December 31,			Six months ended	
	2019	2020	2021	June 30,	2022
	(%)			(%)	
Devices for subscription	83.4	83.7	84.9	83.5	81.7
– Laptop computers	84.8	87.6	86.1	85.5	80.4
– Desktop computers	81.3	82.8	85.3	83.7	84.6
– Mobile phones and tablet computers	82.3	86.1	89.6	91.0	85.7
– All-in-one computers	85.2	74.2	80.8	74.8	78.3
– Conference-related and other devices	88.8	37.5	48.5	39.8	45.6
– Printers and photocopiers	90.2	48.7	47.8	37.1	55.9

Note:

(1) The utilization rates are measured as follows:

$$\text{Utilization rate} = \frac{\text{Aggregate number of devices under subscription in a particular month}}{\text{Aggregate number of devices as of the end of that particular month}}$$

Discussion on Device Recycling Business

During the Track Record Period, we experienced a significant increase in the number of devices sold due to our enhanced procurement capability and better availability of de-commissioned IT devices driven by the increase in upstream suppliers of de-commissioned IT devices. During the same periods, the average sales value per device generally experienced a constant decrease as it was affected by the changes in the mix of devices sold. In 2019, 2020 and 2021, our sales value of major devices generally ranged from approximately RMB300 to RMB5,871, RMB300 to RMB4,857, and RMB306 to RMB5,215 of our major types of sold devices, respectively. For the six months ended June 30, 2021 and 2022, our sales value of major devices generally ranged from approximately RMB301 to RMB5,210 and RMB300 to RMB5,290, respectively.

Number of device recycling customers represented customers purchased de-commissioned devices from us during a given year/period and has been constantly increasing in 2021 as compared to 2020, and the six months ended June 30, 2022 as compared to the six months ended June 30, 2021.

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Discussion on Device Subscription Business – Devices

As of December 31, 2019, 2020, 2021 and June 30, 2022, we experienced an increase in the number of devices for subscription due to growing business needs of enterprises and an increase in the number of long-term device subscription customers. The number of our major type of devices for subscription were on an increasing trend, except for mobile phones and tablet computers as well as all-in-one computers which experienced some fluctuations as of December 31, 2019, 2020, 2021 and June 30, 2022. The average monthly utilization rates of conference-related and other devices as well as printers and photocopiers were relatively low as of December 31, 2019, 2020, 2021 and June 30, 2022 as these device categories were mainly for short-term subscriptions, the utilization of which was not as predictable as that of long-term subscriptions. Nevertheless, the number of devices under the above categories generally increased as of December 31, 2019, 2020, 2021 and June 30, 2022 as a result of our effort to maintain a balanced mix of devices to better cope with the demand of our customers.

Discussion on Subscription Business – Volume and Price

Our average monthly device subscription prices for both long-term and short-term subscriptions experienced a steady growth during the Track Record Period, primarily attributable to the increase in average device procurement costs, which was resulted from our purchases of more brand-new devices, the average subscription price of which is higher than that of second-hand devices. During the Track Record Period, purchases of brand-new devices accounted for approximately 48.5%, 83.1%, 77.2% and 84.0%, respectively, in 2019, 2020, 2021 and for the six months ended June 30, 2022, of all devices purchased for subscription in the respective year/period. The following table sets forth our revenue generated from subscription services with, and total device subscription volume from brand-new devices and second-hand devices, respectively, for the periods indicated:

	Year ended December 31,			Six months ended	
	2019	2020	2021	June 30, 2021	2022
Revenue from device subscription services					
<i>(RMB'000)</i>	82,085	143,847	265,602	115,008	150,367
– Brand-new devices	42,047	96,807	201,040	85,656	122,461
– Second-hand devices	40,038	47,040	64,562	29,352	27,906
Total device subscription volume					
<i>(device)</i>	1,884,458	2,766,998	4,235,301	1,910,667	2,243,465
– Brand-new devices	635,190	1,489,054	2,832,874	1,248,648	1,668,122
– Second-hand devices	1,249,268	1,277,944	1,402,427	662,019	575,343

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Our monthly long-term device subscription price ranged from RMB35 to RMB175 in 2019, RMB35 to RMB252 in 2020, RMB50 to RMB314 in 2021, RMB52 to RMB314 for the six months ended June 30, 2021 and RMB53 to RMB307 for the six months ended June 30, 2022; and our monthly short-term device subscription price ranged from RMB16 to RMB192 in 2019, RMB36 to RMB199 in 2020, RMB35 to RMB215 in 2021, RMB38 to RMB208 for the six months ended June 30, 2021 and RMB43 to RMB225 for the six months ended June 30, 2022. Our monthly subscription price of major devices (including device and IT technical subscription) generally ranged from approximately RMB70 to RMB349 in 2019, RMB69 to RMB398 in 2020, RMB70 to RMB449 in 2021, RMB74 to RMB448 for the six months ended June 30, 2021 and RMB76 to RMB450 for the six months ended June 30, 2022 of our major types of subscribed IT devices, respectively. According to CIC, our Industry Consultant, for devices of similar brands and configurations, there has been no material difference between the monthly subscription fees charged by the Company and those charged by industry peers of similar market position.

Our average monthly IT technical subscription price experienced a constant decrease during the Track Record Period, primarily due to the increasing proportion of long-term IT technical subscription services, the average monthly subscription price of which was generally lower compared to that of short-term IT technical subscription services during the Track Record Period, as our long-term IT technical subscription services would generally be provided remotely through phone call or online through *Bear Butler*, or on-site, on an as-needed basis for maintenance purposes, whereas business scenarios under short-term IT technical subscription services, including offline large-scale examinations, exhibitions, technology conferences and shopping festivals, would generally require more personnel of our on-site IT operation and maintenance team to help with the network set up, protection of devices during use, on-site maintenance and repairment in case of device failures, and timely retrieval of devices upon completion of use throughout the entire service period. The following table sets forth our revenue generated from the long-term and short-term IT technical subscription services, respectively, 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	%	RMB'000	%
Revenue from IT technical subscription services	115,410	100.0	113,125	100.0	140,392	100.0	64,112	100.0	71,529	100.0
– Long-term subscriptions	69,886	60.6	75,577	66.8	97,685	69.6	44,877	70.0	54,692	76.5
– Short-term subscriptions	45,524	39.4	37,548	33.2	42,707	30.4	19,235	30.0	16,837	23.5

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Discussion on Device Subscription Business – Customers

The number of our long-term device subscription customers presented a constant growth during the Track Record Period, as a result of the growing acceptance of device subscriptions among enterprises as well as our improving capabilities of customer acquisition. We experienced a decrease in the number of short-term device subscription customers in 2020, primarily attributable to the decrease in offline exhibitions and examinations held in 2020 due to the COVID-19 pandemic. Our NDRR generally experienced an increase during the Track Record Period, with a slight fluctuation in 2020 and for the six months ended June 30, 2022.

We experienced an increase in our KA customers during the Track Record Period. As we commenced our large-scale business expansion in 2018 after our Series A Investment, the relatively small KA customer base as of December 31, 2018 and the fast increase at the beginning of the expansion resulted in a large KA customer growth rate as of December 31, 2019. The number of our KA customers experienced a slower growth as of June 30, 2022 as compared to December 31, 2021 as the resurgence of COVID-19 pandemic has restricted our direct sales efforts, which is primarily conducted through face-to-face marketing; in addition, our customers engaged in the education and training industry had less demand for device subscriptions caused by the unfavorable government regulations. In July 2021, the General Office of the CPC Central Committee and the General Office of the State Council published the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》, the “**Opinion**”), which stipulates that (i) local government authorities shall no longer approve new off-campus subject-based education and training institutions aiming at compulsory-educated students, and (ii) the existing subject-based education and training institutions are required to be registered as non-profitable, and online subject-based education and training institutions need to go through a strict examination to obtain approvals for the operations. In compliance with the Opinion and applicable rules, regulations and measures, many companies engaged in the education and training industry decided to cease offering tutoring services related to academic subjects to students in compulsory education stage in the second half of 2021, resulting in closures of learning centers and massive layoffs. As a result of such closures and layoffs, our customers in the education and training industry had less demand for device subscriptions. During the Track Record Period, our customers in the education and training industry contributed RMB26.8 million, RMB53.0 million, RMB62.5 million and RMB16.3 million, respectively, in 2019, 2020 and 2021 and for the six months ended June 30, 2022, accounting for 5.4%, 5.2%, 4.7% and 1.9%, respectively, of our revenue during the same periods. Despite the less demand for device subscriptions, closures of learning centers and massive layoffs led to more supply of de-commissioned devices for our device recycling business during the Track Record Period. During the Track Record Period, we purchased de-commissioned devices in the amount of approximately RMB0.2 million, RMB1.0 million, RMB154.1 million and RMB42.6 million from education and training institutions, respectively, in 2019, 2020 and 2021 and for the six months ended June 30, 2022. Given the relatively small revenue contribution of, and the increased supply of de-commissioned devices under our device recycling business from, our customers engaged in the education and training industry during the Track Record Period, our Directors are of the view that the unfavorable government regulations imposed on the education and training industry did not and will not have any material adverse impact on our business operations and financial performance.

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During the Track Record Period, the industries in which our subscription customers were engaged were rather fragmented. The table below sets forth the percentage of revenue contribution from our subscription customers (including device and IT technical subscriptions) of our device and IT technical subscription revenue, for the six months ended June 30, 2022.

	Year ended December 31,						Six months ended	
	2019		2020		2021		June 30,	
	<i>Revenue</i> (‘000)	%	<i>Revenue</i> (‘000)	%	<i>Revenue</i> (‘000)	%	<i>Revenue</i> (‘000)	%
Internet and								
telecommunications	49,386	25.0	46,034	17.9	76,024	18.7	40,151	18.1
Professional services	29,616	15.0	33,834	13.2	55,407	13.6	29,138	13.1
Software and IT related								
services	13,277	6.7	17,481	6.8	32,820	8.1	25,298	11.4
Manufacturing	13,896	7.0	17,002	6.6	37,344	9.2	23,075	10.4
E-commerce	20,317	10.3	24,434	9.5	35,652	8.8	18,778	8.4
Education and training	24,790	12.6	51,550	20.1	60,009	14.8	16,115	7.3
Outsourcing of human								
resources	8,271	4.2	11,219	4.4	21,121	5.2	17,004	7.7
Healthcare	3,576	1.8	10,035	3.9	17,415	4.3	11,531	5.2
Consumer and retail	9,987	5.1	10,924	4.3	13,288	3.3	8,747	3.9
Call centers and								
customer services	3,897	2.0	6,473	2.5	11,161	2.7	8,145	3.7
Government agencies								
and SOEs	2,346	1.2	3,840	1.5	6,785	1.7	6,027	2.7
Warehousing and supply								
chain	2,704	1.4	4,856	1.9	7,976	2.0	5,035	2.3
Others	15,432	7.7	19,290	7.4	30,992	7.6	12,852	5.8
Total	197,495	100.0	256,972	100.0	405,994	100.0	221,896	100.0

As of the Latest Practicable Date, to the best knowledge of our Directors after due and reasonable enquiries and save as the above-mentioned, they were not aware of any unfavorable government regulations imposed on the industries in which our customers were engaged which will have material adverse impact on our business operations and financial performance.

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The following tables set forth our new customers and returning customers for each of our service categories for the periods indicated:

	Year ended December 31,			Six months ended	
	2019	2020	2021	June 30,	
				2021	2022
Number of customers of					
device recycling business	1,198	1,059	1,101	524	596
New customers	1,139	808	852	345	389
Returning customers	59	251	249	179	207
Number of customers of					
device subscription					
services	8,749	10,019	13,851	8,486	12,195
New customers	4,787	4,530	7,424	2,681	3,462
Returning customers	3,962	5,489	6,427	5,805	8,733
Number of customers of					
IT technical subscription					
services	9,634	9,168	11,178	7,708	10,367
New customers	5,307	4,413	5,612	2,526	3,593
Returning customers	4,327	4,755	5,566	5,182	6,774

Among which, the following new customers and returning customers were engaged in our full lifecycle of services⁽¹⁾ during the periods indicated:

	Year ended December 31,			Six months ended	
	2019	2020	2021	June 30,	
				2021	2022
Number of customers					
engaged in our full					
lifecycle of services	742	520	552	243	284
New customers	727	419	466	192	227
Returning customers	15	101	86	51	57

(1) Full lifecycle of services includes our closed-loop service categories of device recycling business, device subscription services, IT technical subscription services and device management SaaS.

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Device Recycling Business

Overview

Our device recycling business assists enterprises in unloading their de-commissioned devices and ensuring data is security-guarded in the IT device disposal process. As enterprises are required to continuously upgrade their IT devices to compete against the ever-evolving industry and environment, often, it poses a challenge for them to minimize impact on the environment and ensure the data security when disposing of de-commissioned devices. In addition, third-party service providers with insufficient qualifications may cause damage to information security of enterprises. According to CIC, most of the top internet companies in China typically choose to destroy outdated data by physically destroying the associated hardware, which can be time-consuming and lead to an increase in electronic waste.

Through our device recycling business, we solve enterprises’ pain points by delivering financially beneficial, data-secure and environmental friendly methods in disposing of their de-commissioned devices, primarily by disconnecting IT devices from associated platforms and removing of IT devices from offices. We primarily target for companies engaged in new economy industries such as IT device manufacturing and e-commerce as our suppliers of device recycling business. By using our device recycling business, enterprises can recover a part of their costs of replacing IT devices.

Our Work Performed on De-commissioned Devices

We purchase de-commissioned IT devices from enterprises, upon which the risks and rewards of ownership pertaining to such devices will be transferred to us and their cost will be recognized as our inventory. As we obtain the full ownership and own the disposal right of the devices we purchase, we do not need to obtain consent from the selling enterprises for performing the following work on the devices:

- (i) assessing the appearance and functionality of devices to determine whether such devices should be used for our subscription services. De-commissioned devices assessed to be likely to satisfy the demand of customers of our device subscription services after our refurbishment will be used for our subscription services;
- (ii) removing data on the de-commissioned devices in the manner specified by their vendors through means such as formatting hard drives or erasing all data therein;
- (iii) performing diagnostic tests on both hardware and software to analyze system performance and spot potentially failing hardware and software. Hardware being tested include but not limited to hard disk drives, CPUs, GPUs, battery and fans. Memory tests will also be run on RAMs;
- (iv) fixing faulty parts and issues identified during diagnostic tests performed above; and

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- (v) if the costs to fix the faulty parts and issues identified are expected to exceed subscription income the relevant devices expected to generate, de-commissioned devices will be sold through our own quotation platform or e-commerce platforms, including those operated by our strategic Shareholders and business partners, after the necessary refurbishment and dismantling process.

Provided to Customers under Device Subscription Services

We purchase de-commissioned devices based on the appearance and the functionality, which are likely to satisfy the demand of customers of our device subscription services after our refurbishment, taking into consideration the particular brand and model, such as Lenovo, HP, Dell and Apple. In this way, we broaden our source in acquiring devices while helping enterprises with recycling de-commissioned devices.

Sell through Our Proprietary Quotation Platform

We sell all of the purchased IT devices from enterprises to customers on bulk purchase through our proprietary quotation platform, except for the ones we sell through e-commerce platforms which are mainly laptops. On our platform, enterprise users register and enter into offline service agreements with us to purchase devices available for sale, and we place de-commissioned devices on display, make price quotes based on our market research, and sell to the highest bidder. Most of the purchasers of these devices are companies engaged in sales of IT devices, who are our target customers.

Our proprietary quotation platform (jp.lr-amm.com) is a website that allows enterprises to register as users for bidding the de-commissioned devices we purchased. It differentiates from our official website, bearrental.com, in that it is a proprietary website for bidding IT devices only, while bearrental.com serves as our official website as well as the main access for device subscription services. Main types of IT devices available for bidding include desktop computers, monitors, servers and mobile phones. The website demonstrates our principal rules for the bidding process, which typically takes around one to three days to complete. Considering (i) the administrative expenses involved and (ii) nature of our target customers (i.e. enterprises rather than individual consumers), we require bidding for de-commissioned devices on our proprietary quotation platform to only be in the form of bulk purchase. Initially, a potential customer registers as a user and provides certain information online, including a phone number for identity verification and future communication. Once the registration is completed, the user must pay a deposit for participating in the bidding. The bidding process is initiated when information about devices available for sale (including the base price which we determine on a cost-plus basis) is posted on the website and lasts until the pre-determined deadline is reached. When a bidding is over, the bidder with the highest price quotation would win the bid, and must complete the payment within 48 hours. If the winner fails to do so, the deposit in its deposit account will be forfeited as liquidated damages. During the bidding process, we do not accept withdrawal or cancellation of any bidding.

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As advised by our PRC Legal Advisor, we are not required to obtain a license for the selling activities conducted on the quotation platform as we do not provide bidding services as an intermediary between the seller and the buyer. Instead, we have obtained complete ownership and full disposal right of the devices we purchase. In addition, as advised by our PRC Legal Advisor, our device recycling business associated with our proprietary quotation platform is not subject to the VIE structure. If the business of an operating entity falls within the scope of the Negative List for Foreign Investment 2021 (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**Negative List**”), foreign investment will be restricted or prohibited and such entity will be subject to VIE structure for the purpose to be listed in Hong Kong. For example, businesses such as value-added telecommunication services (except for those which are fully open to foreign investment) and antiquities auction fall within the scope of the Negative List. Given that (i) we do not provide value-added telecommunication services (i.e. paid advertising and internet information services) as it only sells its self-owned IT devices on its proprietary quotation platform, and (ii) we do not provide bidding services as an intermediary between the seller and the buyer, our device recycling business associated with our proprietary quotation platform does not fall within the scope of the Negative List, and is not subject to the VIE structure, as advised by our PRC Legal Advisor. According to our PRC Legal Advisor, we had complied with the relevant PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date.

Sell through E-commerce Platforms

We collaborate with e-commerce platforms, such as JD.com, to sell de-commissioned IT devices we purchase from enterprises, mainly including laptop computers. Devices displayed on these e-commerce platforms are available to the public. We typically cooperate with large-scale and well-known e-commerce platforms with a track record of selling IT related devices, and are bound by the standard terms and conditions of such e-commerce platforms. Leveraging the aggregation effect of e-commerce platforms, our enterprise users can obtain quotations and negotiate in a transparent market.

During the Track Record Period, we generated revenue of RMB302.8 million, RMB765.2 million, RMB924.4 million, RMB357.8 million and RMB632.1 million in 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022, respectively, from our device recycling business. The following table sets forth a breakdown of our device recycling income by sales platforms in absolute amounts and as a percentage of our device recycling income 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	%	RMB'000	%
Device recycling income from proprietary quotation platform	250,651	82.8	699,358	91.4	855,363	92.5	326,676	91.3	600,766	95.0
Device recycling income from e-commerce platforms	52,193	17.2	65,839	8.6	69,045	7.5	31,130	8.7	31,351	5.0
Total	302,844	100.0	765,197	100.0	924,408	100.0	357,806	100.0	632,117	100.0

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Data Removal Services

As part of their information security management, suppliers of de-commissioned devices generally remove data storage parts such as hard disk before passing such devices to us. Our recycling of such devices therefore does not involve any data removal process. Occasionally we provide data removal and destroy services at the enterprise users’ options at our venue or any venue as specified by such users, after collecting the relevant devices from the enterprise users. We are capable of removing and destroying data stored on IT devices in secure manners, including physical destruction of data storage systems. We generally provide three levels of data destruction services, including formatting hard drives, erasing all data by using services from well-known third-party service providers, and physically degauss, perforate and crush data storage media. We offer the appropriate level of data destruction service to enterprises in accordance with the enterprises’ specific needs and the service agreements. We shall abide by the data removal process and time limit as specified in the service agreement, and the enterprises in need of such services shall make timely payment. Enterprises typically set acceptance criteria to examine our work, making sure all the data is successfully removed as expected. Furthermore, both parties shall keep confidential the information obtained during the process and shall not share such information with external parties. While any data or information leakage may constitute an event of default and result in liquidated damages, we have not experienced any such data or information leakage during the Track Record Period.

During the Track Record Period, we did not generate any revenue from our data removal services.

Service Process

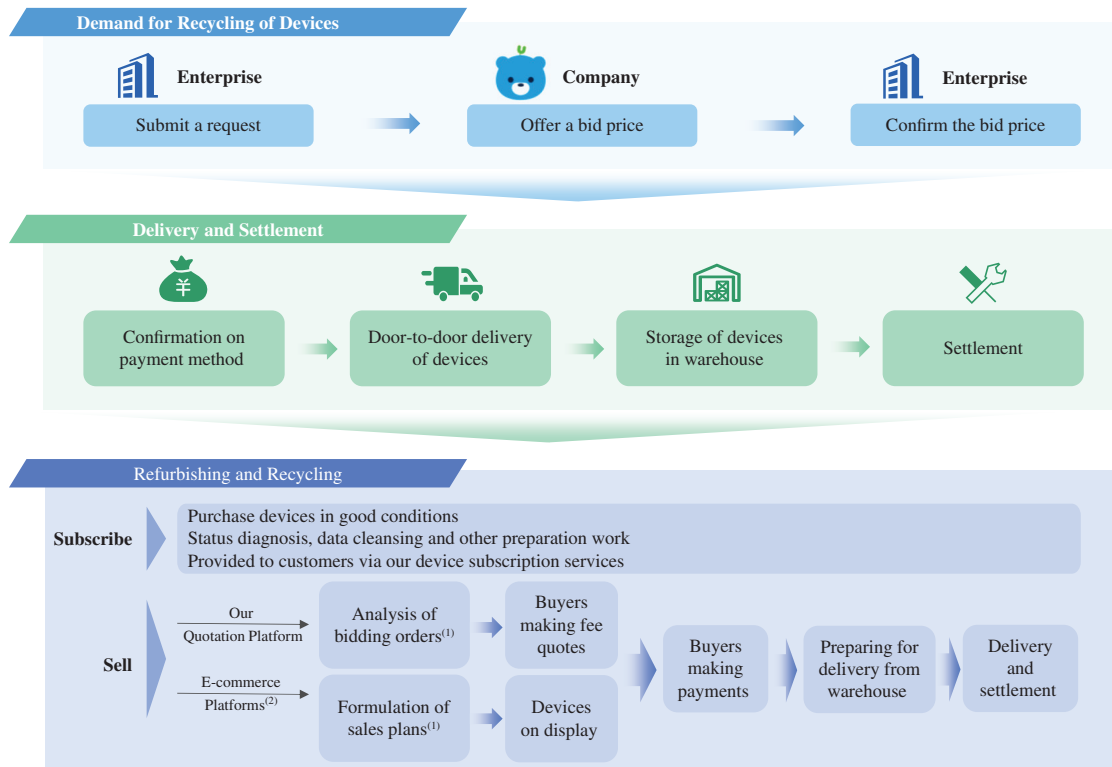
An enterprise submits a request for device recycling business. Upon receipt of the request, we offer the enterprise a bidding price considering conditions of the device, prevailing market price for similar device as well as our planned use for such device. The enterprise decides whether to sell us the device for further recycling. Once we win the bid, we purchase the device from the enterprise. For enterprises already including us in their list of pre-approved bidders, they negotiate with us directly about the key commercial terms at which particular batches of de-commissioned devices are disposed of, rather than going through the competitive bidding process. The following table sets forth our purchase amount through bidding and negotiation with enterprises as their pre-approved bidder, respectively, for the periods indicated:

	Year ended December 31,			Six months ended	
	2019	2020	2021	June 30, 2021	2022
	<i>(RMB'000)</i>				
Purchase amount through bidding	161,975	149,705	351,109	53,680	67,565
Purchase amount through negotiation with enterprises as a pre-approved bidder	155,676	589,488	452,314	247,751	593,881

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We managed to ensure a stable supply of de-commissioned IT devices during the Track Record Period despite the uncertainty of replacement cycles and disposal plans of particular de-commissioned IT device suppliers. See “– Seasonality” for details. The increase in the number of our de-commissioned IT device suppliers from 277 in 2020 to 317 in 2021 and from 190 for the six months ended June 30, 2021 to 205 for the six months ended June 30, 2022 has enabled us to be less vulnerable to the changes in the disposal plans of particular suppliers. In addition, with the deepening cooperation with our de-commissioned IT device suppliers, we managed to purchase de-commissioned devices through negotiation with suppliers directly as their pre-approved bidder instead of competing in the bidding process, which provided us with more certainty for the supply of de-commissioned IT devices. Furthermore, our diversified categories of de-commissioned IT devices has reduced our risk of being affected by fluctuations in the supply of any particular types of de-commissioned IT devices. Moreover, we secured a more stable supply of de-commissioned IT devices by maintaining better relationship with our suppliers through faster settlement of payment made to our suppliers during the Track Record Period, as demonstrated by the decrease in trade payables turnover days from 61.9 days in 2019 to 50.3 days in 2020, and further to 32.7 days in 2021 and 22.5 days for the six months ended June 30, 2022.

The diagram below illustrates the process flowchart of our device recycling business:



Note:

- (1) The formulation and analysis are made based on our inventory level.
- (2) During the Track Record Period, majority of such sales were conducted through and in accordance with the terms of standard agreements adopted by JD.com’s e-commerce platforms.

BUSINESS

Pricing and Payment

We determine the selling price of IT devices based on our research of prevailing market price and conditions. We also take into consideration our expected gross profit margin in determining the selling prices for the devices. The customers who purchase the recycled devices put for sale typically make one-time payment in full before delivery of the purchased devices.

During the Track Record Period, we did not separately charge enterprise users for our data removal services and therefore did not generate any revenue from such services.

Key Terms of Agreement with Suppliers of De-commissioned Devices

Key terms of agreement with suppliers of de-commissioned devices are summarized below.

- *Agreement term.* Our agreement term starts from, and ends on, the dates as specified in the agreement as agreed upon by the enterprise users and us.
- *Our obligations.* We purchase the specific type of devices from enterprises as specified in the agreement, and generally make payment within five business days. We provide door-to-door pick-up services of the recycled devices. Data removal process will be provided at the request of and in the manner specified by the enterprise users at our venue or any venue as specified by such users.
- *Enterprises' warrants.* The enterprise users shall warrant that they have complete ownership and disposal rights to the recycled devices.
- *Termination.* The agreement is automatically terminated upon discharge of both parties' obligations.
- *Dispute resolution.* In the event of any dispute related to the enforcement of any agreement during our agreement term, both parties shall negotiate amicably. If an agreement cannot be reached, the parties have the right to sue.

Device Subscription Services

Overview

We provide device subscription services for enterprises varying in size and stage of corporate materiality, offering flexible, cost-effective and efficient way to deliver IT devices for enterprises' business operations. There has been an increasing demand from enterprises for subscription options compared to direct procurement of IT devices in recent years, which usually is an expensive capital expenditure and creates substantial financial pressure for enterprises. As enterprises have specific demands for IT devices at different stages of business

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development, the traditional way of one-time procurement is unable to match with their actual demands for IT devices, therefore leading to a large waste. In addition, direct purchases of IT devices do not support the flexibility provided by subscribe-as-you-use and return-as-you-go options. Our device subscription services provide enterprises with an opportunity to reduce their capital expenditure and maintain high utilization rate of IT devices.

Our device subscription services are all-inclusive, and covers the full device lifecycle for enterprises’ and their business operations. The services primarily include (i) customers selecting IT devices appropriate for their needs, (ii) assembling hardware, (iii) installing and customizing system settings, (iv) delivery and setup of IT devices on-site, and (v) migration of data from customers’ existing in-house or third-party database. We offer a comprehensive inventory of IT devices available for subscription, including, amongst others, desktop and laptop computers, mobile phones, tablet computers, all-in-one computers, printers, photocopiers, servers and conference-related and other devices. Compared with the manufacturers who can only provide devices of their own brands, our broad range of devices of a variety of brands and configurations provides our customers with greater flexibility in selecting devices suitable to them. Our customers can choose a subscription period ranging from one day to five years depending on different business purposes. For a detailed description of the subscription period of our customers during the Track Record Period, see “– Key Terms of Service Agreement” below. We also provide IT technical subscription services and device management SaaS coupled with our device subscription services during the subscription period. See “– Our Business Model – IT Technical Subscription Services” and “– Our Business Model – Device Management SaaS” in this section for further details.

We procure IT devices for our device subscription services, primarily desktop and laptop computers, mobile phones, tablet computers, all-in-one computers, printers, photocopiers, servers and conference-related and other devices, directly from top international and domestic IT device manufacturers or through their agents. Our devices for subscription are also supplemented by the de-commissioned devices that we purchase under our device recycling business. See “– Our Business Model – Device Recycling Business – Overview” for details. We have not sold any brand new IT devices, and have sold some of our used devices for subscription. We have established a general warehouse in Wuhan to store our IT devices, and have sub-warehouses in Shenzhen, Shanghai, Beijing, Guangzhou, Nanjing, Xiamen, Chengdu and Hangzhou. Our general warehouse functions as a nationwide allocation center. In case of supply shortage of IT devices, we are able to allocate the IT devices stored in the general warehouse to sub-warehouses leveraging our digital IT system. Furthermore, we store the IT devices that we purchase from corporate users from our device recycling business in our general warehouse, which is ready for subsequent refurbishment and sale. We believe that such cross-selling of IT devices among different service categories ensures a stable and sufficient inventory level of devices for our device subscription services.

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We offer long-term and short-term device subscription services to provide diversified and tailor-made services to meet the specific needs of enterprises. During the Track Record Period, we generated revenue from device subscription services of RMB82.1 million, RMB143.8 million, RMB265.6 million, RMB115.0 million and RMB150.4 million, respectively, for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively.

Long-term Device Subscription Services

Our long-term device subscription services are generally subscription-based, and we provide customers with IT devices for a minimum period of six months with a periodic payment plan, enabling enterprises to lessen their financial burden. We primarily target for companies engaged in new economy industries, such as e-commerce and consumer retails.

Our customers are able to enjoy deposit-free services based on their credit profile. Our “online + offline” two-dimensional risk control model integrates an online intelligent credit profile review system and an offline manual assistance mechanism. By analyzing and reviewing a customer’s payment history and credit profile, the risk control model assists us in determining the maximum value amount of IT devices a customer can have from us at a time.

In 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022, we generated revenue from long-term device subscription services of RMB68.4 million, RMB117.3 million, RMB217.6 million, RMB97.8 million and RMB123.2 million, respectively. During the same periods, the number of long-term device subscription customers who also subscribed IT technical subscription services amounted to 4,713, 5,599, 7,268, 5,255 and 8,107 in 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022, respectively, contributing a total income of RMB131.7 million, RMB162.1 million, RMB253.5 million, RMB106.5 million and RMB144.7 million during the same periods, respectively.

Short-term Device Subscription Services

Our short-term device subscription services are one-time packages with comprehensive DLM solutions tailored based on our customers’ needs. It typically caters to enterprises in need of flexibility with short-term equipment needs, such as offline large-scale examinations, exhibitions, technology conferences, shopping festivals and other business activities. Our on-site IT operation and maintenance team helps with the network set up, protection of devices during use, on-site maintenance and repairment in case of device failures, and timely retrieval of devices upon completion of use.

In 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022, we generated revenue from short-term device subscription services of RMB13.7 million, RMB26.5 million, RMB48.0 million, RMB17.2 million and RMB27.2 million, respectively. During the same periods, the number of short-term device subscription customers who also subscribed IT technical subscription services amounted to 3,901, 3,714, 4,074, 2,558 and 2,343 in 2019, 2020

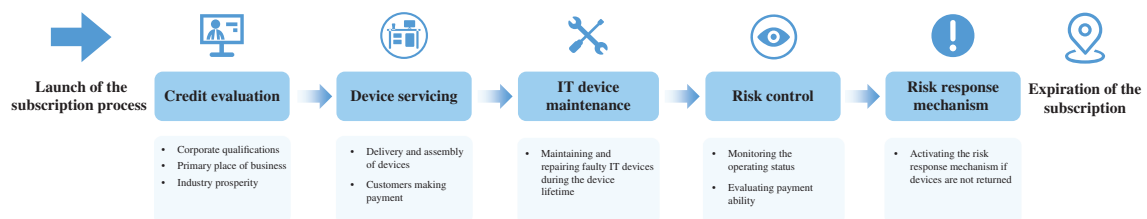
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and 2021 and for the six months ended June 30, 2021 and 2022, respectively, contributing a total income of RMB47.7 million, RMB51.4 million, RMB69.4 million, RMB27.8 million and RMB27.3 million during the same periods, respectively.

Service Process

Our potential customer leads are generally developed by our salespersons, advertisements or user registrations through our official website portal. Once we receive service requests from potential customers, we evaluate their credit profile with the assistance of our risk control model, taking into account factors including corporate qualifications, primary place of business and industry prosperity, among others. Customers then enters into a service agreement and places an order online, followed by a review of the order by our business operations department. Upon completion of review and approval, we recommend types of devices and subscription plans that match with the customer’s needs, and complete delivery and assembly of devices. We also conduct a second review of the customer’s credit profile on-site. Our technical staff pays monthly visits to our customers to supervise the use of devices as well as maintain and repair faulty devices. During the subscription period, we constantly monitor the operating status of our customers to evaluate their ability to pay. If customers do not make timely payments, we will activate our offline risk response mechanism pursuant to which we will carry out steps, including reducing the amount of credit available to the relevant customers, account manager making reminder calls, and IT technicians retrieving the devices from the customers in accordance with the service agreement. When the subscription period of a customer comes to an end, the relevant devices will be retrieved from the customers. Before delivery to customers under another device subscription agreement, our IT technicians will inspect the retrieved devices and carry out the required refurbishment and data removal process to ensure (i) the devices can function in accordance with requirements set out in the device subscription agreement, and (ii) data generated by the previous customers are removed.

The diagram below illustrates the process flowchart of our device subscription services:



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Pricing and Payment

Pricing Strategy and Fee Model

Long-term Device Subscription Services

We take into consideration multiple factors when determining the subscription price for our long-term device subscription services, which primarily include devices’ purchase costs, their market prices, depreciation and residual value, operating expenses and financing costs. The subscription term selected by a customer also plays an important role in pricing. We do not apply different pricing strategies for customers subscribing brand new devices, used devices or devices procured from our device recycling business. However, the age of the devices as well as the corresponding depreciation policies may affect the devices’ costs, and thus affect the subscription price for such devices.

Our fee model for long-term device subscription services utilizes specific parameters and outputs a fee amount as a reference. During the Track Record Period, our average subscription price of major devices generally ranged from RMB69 to RMB449 per month (including device and IT technical subscription prices) depending on different types of devices and their brands, configurations and models.

Short-term Device Subscription Services

We consider the complexity of specific solutions, types and configurations of devices involved as well as labor costs of on-site IT technical staff in setting the price for our short-term device subscription services. In the scenario of offline large-scale examinations where our customers are the organizers of examinations, we arrange and pay for examination venues as well as temporary staff for our customers. Rentals for examination venues and wages of temporary staff paid are charged to our cost of sales. Our service fees for offline large-scale examinations will also reflect such rentals and wages paid. In other scenarios such as exhibitions, conferences and shopping festivals where our customers are the participating enterprises, rather than the organizers, we do not pay for rentals of venues and wages for temporary staff as these will be paid by organizers of the relevant events.

We generally charge our short-term device subscription service customers one-time service fees.

Deposit and Payment

Our long-term and short-term device subscription customers make payment differently. A majority of our long-term device subscription customers make monthly payments of subscription fees. We require our customers to pay full deposit or part of the deposit within the

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total amount of the subscribed IT devices together with the first payment of subscription fee. Our customers may apply for any reduction or waiver on such deposit, and then we will, based on customers' credit profile, to exercise discretion on reducing or waiving the amount of the deposit.

Our short-term device subscription service customers generally pay part of the service fees upon signing of agreements, with the remaining amount of service fees payable at the end of the service period. For large-scale short-term device subscription scenarios that require us to invest in a great deal of preparation work such as allocating devices from different warehouses, we request our customers to make prepayments equal to no less than 30% of the total order amount upon signing of agreements. In cases of urgent scenarios upon short notices, we may allow our customers to make payments within seven days upon receipt of the subscribed devices, taking into consideration the time needed for our internal approval process.

Key Terms of Service Agreement

Key terms of our device subscription service agreement are summarized below.

- *Service term.* We provide flexible service terms, generally on a monthly basis for a minimum period of six months for long-term device subscription services, and a daily basis for short-term device subscription services. The term starts from the date specified in a separate order or the day after customers receive the devices, whichever is later, and ends on the date as specified in the order. The service term will be automatically extended upon expiration of the original term if the devices are not returned by the customer, under which circumstance the extended term, subscription fees and number of subscribed devices remain unchanged.

During the Track Record Period, the service term of our long-term device subscription services ranged from six months to five years, the prevailing of which ranged from 12 months to 36 months. Specifically, our long-term device subscription period was on an average of 1.6 years in 2019, 1.9 years in 2020, 2.0 years in 2021, 2.0 years for the six months ended June 30, 2021 and 2.1 years for the six months ended June 30, 2022. During the same periods, the service term of our short-term device subscription services ranged from one day to six months, the prevailing of which were less than three months. Specifically, our short-term device subscription period was on an average of 43 days in 2019, 54 days in 2020, 56 days in 2021, 58 days for the six months ended June 30, 2021 and 59 days for the six months ended June 30, 2022.

- *Our obligations.* We provide subscription services as specified in a separate work order. In accordance with such order, we provide door-to-door delivery of the subscribed devices or ship the devices to our customers at our expenses. We assist our customers to finish set-up of devices, and provide guidance to our customers' in-house IT personnel. We abide by our customers' internal technical and service standards during our service process.

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- *Customers’ obligations.* Our customers are obligated to provide authentic and effective certificates, licenses and other materials, and make timely payments. Customers cannot alter the use of the subscribed devices from their original use, or apply the devices for illegal purposes. Customers are also obligated to make compensation for any deliberated damage or loss of the devices. Any depreciation and depletion arising out of the normal business use of the devices shall not be deemed as our customers’ liability.
- *Termination.* The service agreement may be terminated by the customers if we fail to deliver the subscribed devices as agreed upon or deliver the devices within the specified timing. The service agreement may be terminated by us if the customers (i) fail to pay us within the specified timing; or (ii) relocate the devices without our written consent. Upon termination of the agreement, the defaulting party shall make compensation to the other’s loss, if any.
- *Dispute resolution.* In the event of any dispute related to the enforcement of any agreement during our service term, both parties shall negotiate amicably. If an agreement cannot be reached, the parties have the right to sue.

IT Technical Subscription Services

Overview

Traditionally, enterprises rely on their in-house IT teams to manage and keep up regular service of their internal IT operations, which may be costly to establish and maintain in the long term. In addition, the skill level and educational background of individual IT technicians often vary, who may not be familiar with corporate-specific types and configurations of IT devices.

We help alleviate financial burden of enterprises through our professional IT technical subscription services. We address IT issues of enterprises in different business scenarios and provide customized and professional IT maintenance services that improve the utilization rate of IT devices. Our IT technical subscription services, coupled with our device subscription services, primarily include periodic on-site inspection and maintenance of subscribed devices, resolving hardware related problems and implementing operating system upgrades to ensure IT devices are up-to-date. We are not engaged in any kind of software installation or upgrading, which will be handled by enterprises themselves. Enterprises can also opt to purchase our IT technical subscription services on a standalone basis, pursuant to which our IT technicians will station at the enterprises to provide technical support. We also offer project-based IT technical services, pursuant to which customized on-site services will be provided according to enterprises’ needs.

In 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022, we generated revenue from IT technical subscription services of RMB115.4 million, RMB113.1 million, RMB140.4 million, RMB64.1 million and RMB71.5 million, respectively. We

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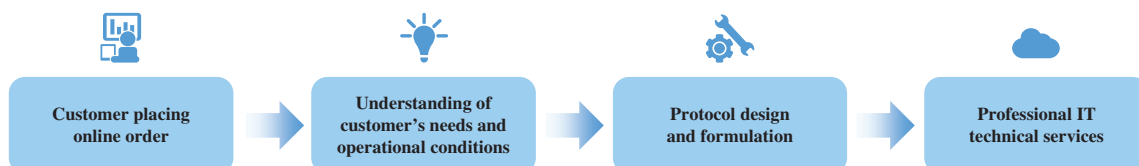
primarily provide IT technical subscription services coupled with our device subscription services. The relevant subscription agreements separately set out details of devices and IT technical services subscribed for as well as the subscription fees charged for devices and IT technical services. Our revenue from IT technical subscription services provided together with our device subscription services amounted to RMB108.9 million, RMB106.7 million, RMB133.2 million, RMB60.1 million and RMB69.1 million, respectively, for 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022. However, some large enterprises purchasing our device subscription services may satisfy their needs for IT technical support entirely in-house and thus opt out the IT technical subscription services, under which circumstance we only provide them with device subscription services. We generated RMB6.5 million, RMB6.4 million, RMB7.2 million, RMB4.0 million and RMB2.4 million in 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022, respectively, from customers who purchased our IT technical subscription services on a standalone basis.

As of the Latest Practicable Date, our IT technical team consisted of more than 220 members, led by our experienced team leaders. In 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022, the average monthly IT technical subscription revenue contributed by each of the 177, 202, 223, 207 and 239 IT technicians amounted to RMB54,336, RMB46,669, RMB52,463, RMB51,745 and RMB49,880, respectively.

Service Process

We offer a variety of IT technical subscription services to our customers depending on the subscribed service package, including coupled with long-term or short-term device subscription services or stand-alone IT technical subscription services. Under IT technical subscription services coupled with device subscription services, our customers can report to us any problem with devices subscribed through phone call or online through *Bear Butler*. Our IT technicians generally respond immediately to reports received through phone calls or respond within 30 minutes for reports received on *Bear Butler*. Our IT technicians generally provide guidance remotely through phone calls to assist customers on their IT issues. For failures that cannot be solved remotely, our IT technicians arrive on-site within four hours and provide repairment and maintenance services. Under our stand-alone IT technical subscription services, our IT technicians stationed at enterprises will design and formulate a protocol upon understanding and discussing the customer’s specific needs for technical support. We provide tailor-made, professional IT operation and maintenance services in accordance with the service agreement.

The following diagram illustrates the process flowchart of our stand-alone IT technical subscription services:



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Pricing and Payment

When the IT technical subscription services are provided coupled with our device subscription services, we only determine the subscription price of our services as a package.

With respect to IT technical subscription services provided on a standalone basis, the service fees vary in accordance with the complexity of services, which depends on the number of devices and IT technicians involved to provide the IT support requested by our customers. To meet our customers’ specific needs, we assign IT technicians of different seniority and level of experience, resulting in different service fees that range from RMB500 per IT technician per day, to RMB8,000 to RMB12,000 per IT technician per month, as the subscription fee for on-site IT technical support. For project-based IT technical services, we determine the service fee primarily based on the number of devices covered.

Our IT technical subscription service customers on a standalone basis typically make one-time payment.

Key Terms of Service Agreement

For customers purchasing device subscription services coupled with IT technical subscription services, we enter into a device subscription service agreement which sets out provisions with respect to the provision of IT technical support as agreed upon by our customers and us. For example, we assist our customers to set up and customize operating system settings, and provide guidance to our customers’ in-house IT personnel. See “– Our Business Model – Device Subscription Services – Key Terms of Service Agreement.”

Key terms of the standalone IT technical subscription service agreement are summarized below.

- *Service term.* Our service term starts from, and ends on, the dates as specified in the standalone IT technical subscription service agreement as agreed upon by our customers and us. In addition, fees for devices and IT technical services are separately set out in contract with customers under both long-term and short-term device subscription services.
- *Our obligations.* We provide IT technical support and related services as specified in the standalone IT technical subscription service agreement.
- *Customers’ obligations.* Our customers are obligated to make timely payments, and are responsible for the confidentiality, maintenance and record-keeping of important corporate data and information.
- *Termination.* The service agreement is automatically terminated upon discharge of both parties’ obligations.
- *Dispute resolution.* In the event of any dispute related to the enforcement of any agreement during our service term, both parties shall negotiate amicably. If an agreement cannot be reached, the parties have the right to sue.

BUSINESS

Device Management SaaS

Overview

Our device management SaaS, a professional device management software that facilitates cloud-based IT device management, is at the core of our business and can help enterprises manage their IT devices on a one-stop platform with a broad spectrum of device management functionalities. Traditionally, enterprises monitor, manage and supervise the status and usage of their IT devices manually. For large enterprises operating at multiple locations and IT devices scattered across different offices, it is generally more difficult for enterprises to manage their IT devices, which may adversely affect their operational efficiency. Our device management SaaS enables enterprises to identify connections between specific users and specific devices by generating timely overviews of their IT device utilization status, facilitating enterprises to make more insightful decisions on their IT operations. Typically, enterprises with more than 200 employees are our major target customers, as such enterprises usually have needs in device management due to the corporate size.

We primarily provide device management SaaS through our proprietary software, *Bear Butler*. It facilitates asset counts, device assignment, allocation and return, and issues reporting and upgrades requests through a cloud-based centralized application. *Bear Butler* is operated on a third party’s public cloud. We generally follow the cloud service provider’s data privacy policies, including (i) storing the data in its place of source, i.e. PRC, (ii) taking measures to maintain the confidentiality of the data, such as encryption and authorized access, (iii) establishing strict process to protect data security, such as only granting access to limited personnel and conducting periodic audit, and (iv) activating emergency plans to minimize the spread in case of data leakage.

Bear Butler

Bear Butler facilitates enterprise users to internally manage the acquisition, allocation, repairment, maintenance and disposal of IT devices owned by users or provided by us in an easy and efficient manner. All enterprise users registered on *Bear Butler* enjoy a free trial account, and can upgrade to paid versions in accordance with user-specific needs. As of December 31, 2019, 2020 and 2021 and June 30, 2022, 13,937, 18,162, 24,779 and 27,951 corporate customers had registered on *Bear Butler*, respectively, comprising 13,582, 37,568, 325,563 and 678,647 active users⁽¹⁾, respectively. The registered corporate customers include not only our device subscription customers, but also non-subscribers. As of the same dates, the number of registered corporate customers who were also our device subscription customers amounted to 801, 2,152, 4,638 and 6,611, respectively, and the non-subscribers among our registered corporate customers were 13,136, 16,010, 20,141 and 21,361, respectively.

(1) Active users represent the individual employees with the registered corporate customers who hold an individual user account on *Bear Butler*. The number of active users with individual user account in 2019 was less than the number of registered corporate customers in 2019 as our *Bear Butler* was at a preliminary stage since we launched the SaaS program in the preceding year.

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According to CIC, *Bear Butler* is the only comprehensive one-stop SaaS platform in China’s DLM market with comprehensive coverage over major aspects of enterprises in device management from warehousing, deployment, asset counting, maintenance to disposal and recycling. It is an easy-to-use and multi-functional device management tool featuring the following characteristics and functions:

- *One-click synchronization.* *Bear Butler* is able to be integrated with a variety of office systems, including OA, ERP and HR systems commonly used by enterprises, through a standard interface. An automatically synchronized firm-wide organizational hierarchy from users’ existing WeCom (企業微信) or DingTalk (釘釘) is also available. Enterprises can upload their data and information through one click, making it convenient to manage device assets and allocation.
- *Self-serving inventory check.* Once the inventory check is initiated by the administration department of an enterprise, its employees can conduct the inventory check and confirm or manage through the user interface on the *Bear Butler* application. This process can be completed in a fast, accurate and efficient manner, and avoids loss of office assets due to the mistakes caused by manual counts.
- *Availability on multiple platforms.* *Bear Butler* allows access through multiple platforms, including website portal through PC, iOS and Android portals through smartphones, WeChat mini-program and DingTalk. This versatility allows users to work freely and remotely any time, anywhere.
- *Multi-dimensional device management.* Enterprises are able to manage IT devices used in their business operations through various functions on *Bear Butler*, including asset counts, consumables examination, financial management and overall management.

As of the Latest Practicable Date, we offered four kinds of accounts on *Bear Butler*, namely, free trial, basic, advanced and premium. The table below shows the differences in functions of each account:

	Free trial account	Basic account	Advanced account	Premium account
No. of IT devices under management	100	500	2,000	Unlimited
No. of subsidiary(ies) linked	1	1	Unlimited	Unlimited
No. of administrator(s)	1	5	Unlimited	Unlimited
Annual fee (RMB)	N/A	998	2,999	4,999

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Since the inception of our device management SaaS in 2018, we have been optimizing and customizing the functions and user interface on *Bear Butler*. During the Track Record Period, three enterprise customers chose to subscribe for the services of *Bear Butler* under the advanced account, generating revenue of less than RMB10,000 in aggregate, as the services under the free trial account (in terms of numbers of (i) devices under management, (ii) subsidiaries linked and (iii) administrator) could no longer satisfy their demand. As most of our enterprise customers currently choose to use free trial account, we did not record any revenue and, accordingly, did not record any costs from our device management SaaS during the Track Record Period. Considering (i) the increasing popularity of our device management SaaS, as evidenced by the rise in registered corporate customers from 13,937 as of December 31, 2019 to 27,972 as of June 30, 2022, and (ii) that it helped us strengthen our services and acquire customers, we intend to upgrade and enhance the functionalities of our device management SaaS 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. While we only generated an insignificant amount of revenue from our device management SaaS 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. We expect more enterprise customers will become paying users of our device management SaaS with more devices they have to manage when their business grow.

Service Process

Our device management SaaS is displayed on the *Bear Butler* interface to alert customers seeking assistance in device management. The responsible personnel of an enterprise registers on *Bear Butler* as an administrator, and the employees of the enterprise can separately register as individual users. Once customers register as a *Bear Butler* user, their *Bear Butler* account is bound with their device subscription services account, if any. Customers can then upload the information of the devices they would like to manage using *Bear Butler*, regardless those devices are provided by us through our device subscription services or in-house devices, and use *Bear Butler* to assign, allocate and return devices, report for IT device failures and request for maintenance and repairment, and perform asset counts.

The following diagram illustrates the process of registering and using *Bear Butler* to digitally manage subscribed or self-owned IT devices:



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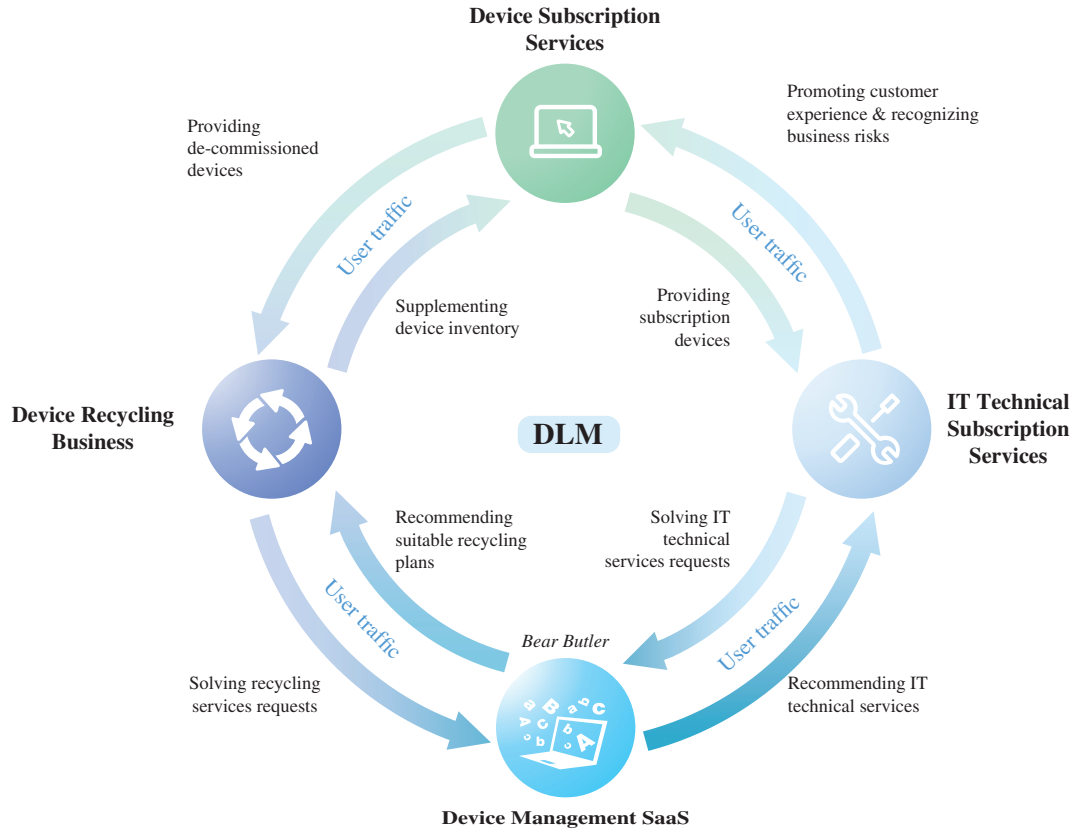
Synergies among Our DLM Solutions

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.

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The following diagram illustrates the synergies among our DLM solutions:



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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**

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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.

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. 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, and from RMB536.9 million for the six months ended June 30, 2021 to RMB854.0 million for the six months ended June 30, 2022, as all our service lines demonstrated fast growth. During the Track Record Period, the number of de-commissioned IT devices sold were 151,155 in 2019, 598,685 in 2020 and 857,118 in 2021, and increased from 202,701 for the six months ended June 30, 2021 to 472,682 for the six months ended June 30, 2022. The number of devices for subscription were 231,505 as of December 31, 2019, 347,951 as of December 31, 2020 and 455,357 as of December 31, 2021, and further increased to 488,993 as of June 30, 2022. The total device subscription volume were approximately 1.9 million in 2019, approximately 2.8 million in 2020 and approximately 4.2 million in 2021, and increased from approximately 1.9 million for the six months ended June 30, 2021 to approximately 2.2 million for the six months ended June 30, 2022. The total IT technical service subscription volume were approximately 1.2 million in 2019, approximately 1.8 million in 2020 and approximately 2.7 million in 2021, and increased from approximately 1.2 million for the six months ended June 30, 2021 to approximately 1.5 million for the six months ended June 30, 2022. 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. 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.

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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.

China’s DLM market is still at its early stage of development. According to the CIC report, the penetration rate of China’s DLM industry was below 5%, with a market size of RMB34.5 billion in 2021. The market size of China’s DLM industry is expected to reach approximately RMB138.2 billion in 2026 at a CAGR of 32.0% from 2021. In 2021, our market share (in terms of revenue) was approximately 3.9%, which is higher than the aggregate market share of other four market players among China’s top five DLM solution providers, according to the CIC Report. We have achieved a closed-loop DLM business model covering all service types and business scenarios along the DLM value chain, including device recycling business, long-term and short-term device subscription services, IT technical subscription service and device management SaaS. Meanwhile, we have been actively expanding our categories of device for subscription to meet customers’ demands in various office scenarios. In 2021, the Company has become the DLM solution provider with the most subscribed device categories in China’s DLM market, as illustrated below:

Company name	DLM by service type				Device subscription by business scenario		Device subscription by device category					
	Device recycling	Device subscription	IT technical subscription	SaaS	Long-term	Short-term	PC	Printer	A3 printer	Server	Interactive conference board	Projector
Our Company	√	√	√	√	√	√	√	√	√	√	√	√
Ediaryun Limited (易點雲有限公司)	√	√	√	√	√	None	√	None	None	None	None	√
Benlizu (本立租)	√	√	√	None	√	√	√	√	√	None	None	√
Aiterent (艾特租)	√	√	√	None	√	√	√	√	√	√	None	√
Slease (閃租網)	None	√	√	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

Capitalizing on our market position and closed-loop DLM business model, we believe our customer base and multifaceted management capabilities enable us to grasp the opportunities and capture the future growth of the rapidly developing but underpenetrated DLM market in China.

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We had strategically increased our distribution and selling expenses during the Track Record Period. From 2019 to 2021, our revenue grew at a CAGR of 63.1%, while the total number of device subscriptions and the number of long-term device subscription customers grew at a CAGR of 49.9% and 40.7%, respectively. Despite our continued increase in revenue, we may continue to incur net losses in the foreseeable future, including the year ending December 31, 2022, if our revenue growth cannot outpace the growth in our cost of sales, operating expenses and finance costs. From 2019 to 2021, CAGR of our total revenue amounted to 63.1% while CAGR of our costs of sales, operating expenses and finance cost amounted to 64.5%, 17.2% and 73.9%, respectively. Furthermore, our total revenue increased by 59.1% for the first half-year of 2022 compared to the same period in 2021 while our costs of sales, operating expenses and finance cost increased by 71.6%, 46.3% and 50.9%, respectively. Please see “Risk Factors – Risks Relating to Our Business and Industry – We have incurred accumulated losses and net losses during the Track Record Period” for details.

We expect 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 40.3% 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 as follows –

Upgrading our system infrastructure and further penetrating into core cities

We attract new customers primarily through direct sales efforts and rely on face-to-face marketing, among others. Our revenue per sales and marketing staff has increased from RMB1.4 million in 2019 to RMB4.1 million in 2021 at CAGR of 74.0% and further increased by 14.9% from RMB1.9 million for the six months ended June 30, 2021 to RMB2.1 million for the same period in 2022 due to the expansion of sales and marketing team. We plan to strengthen the marketing capabilities and efficiency of our sales and marketing staff (measured in terms of revenue per head) via continuously upgrading our system infrastructure, which will be achieved through hiring more research and development staff including system developers and data analysts. In particular, we intend to further develop our visual data panel, which forms

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part of our customer relationship management (CRM) system, and our intelligent device recommendation platform, which forms part of our device management system, aiming at facilitating our sales and marketing staff to better identify customer needs and satisfy such with suitable devices.

We intend to further penetrating into core cities by hiring (i) sales and marketing staff familiar with local market and enterprises therein, and (ii) IT technical engineers to improve our technical service capabilities and address customer demand in a more responsive manner. While we have been primarily targeting customers from new economy industries, we also intend to expand our coverage of customers from traditional economy industries such as manufacturing, enabling digital transformation of their operations.

Deepen cooperation with strategic Shareholders and business partners as well as other e-commerce platforms

We intend to deepen our cooperation with our strategic Shareholders and business partners as well as other e-commerce platforms in the following aspects:

Online user traffic: increasing the connection points at the service platforms of our strategic Shareholders (such as promoting our services at front pages of their different service offerings and prioritizing our services in their search engines) where potential customers can have access to our services. We currently display service on the platforms of Tencent and Lenovo, our strategic Shareholders and business partners, to divert and increase customer traffic to our website. In addition, we have co-developed customer service portals zl.jd.com and zulin.jd.com in cooperation with JD.com, our strategic Shareholder and business partner, on the homepage of JD.com’s e-commerce platform, allowing enterprise customers of JD.com to access and subscribe to our DLM solutions and complete the transaction via these portals directly. Our strategic Shareholders and business partners are willing to direct customer traffic to us, as they are able to expand their outreach of business to include providing DLM solutions to small and medium-sized enterprises in China. In addition, they can expand their customer base and enhance their market share of sales of devices by cooperating with DLM solution providers like us. We intend to pursuit similar cooperation with other third-party online platforms and third-party business partners to broaden our online customer acquisition channels in a cost efficient manner. For more details, please see “Future Plans and Use of Proceeds – Use of Proceeds” in this document.

For example, during the Track Record Period, revenue contributed by customers acquired through one of our strategic Shareholders, JD.com, amounted to RMB4.4 million, RMB12.3 million, RMB36.9 million and RMB23.3 million, representing 0.9%, 1.2%, 2.8% and 2.7% of our total revenue in 2019, 2020, 2021 and for the six months ended June 30, 2022, respectively. During the Track Record Period, the number of device subscription customers introduced to us through JD.com increased from 75 in 2019 to 174 in 2020 and further to 2,334 in 2021. For the six months ended June 30, 2022, we secured 2,129 device subscription customers through JD.com. Our revenue sharing arrangements with our strategic Shareholders and business partners are reflected in the form of customer acquisition expenses. The customer acquisition

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expenses attributable to JD.com were generally within 5% of the revenue attributable to customers referred to us during the Track Record Period. The customer acquisition expenses attributable to Lenovo were 5% of the revenue attributable to customers referred to us for long-term device subscription services and 10% for short-term device subscription services during the Track Record Period. While we incurred no expenses regarding on revenue sharing arrangements with Tencent during the Track Record Period, a fixed amount was paid to Tencent for being its designated business partner in respect of office equipment solutions. According to CIC, such arrangements are in line with the market terms. Our strategic Shareholders and business partners normally direct customer traffic to us when we serve different customer groups. According to CIC, our arrangements with the strategic Shareholders and business partners are in line with industry norm and the terms are marked to market, as most companies would choose to build up strategic partnerships with top internet companies in order to leverage their platform advantages to acquire customer traffic.

Marketing and promotion: participating in offline marketing activities of our strategic Shareholders and business partners to develop new corporate customers and designing solutions such as trading in old devices for new ones (以舊換新) together with our strategic Shareholders and business partners to promote our device recycling and subscription businesses. For example, as part of our offline marketing initiatives, we plan to conduct face-to-face large corporate client visits with the regional account managers of our strategic Shareholders and business partners to improve referral rates. One of our strategic Shareholders and business partners, has authorized us to promote its conferencing solutions nationwide in the PRC and agreed to provide us with required support. Our cooperation with our strategic Shareholders and business partners would enable us to develop our subscription services for categories other than laptops and is expected to drive the growth of our subscription revenue.

Supply of de-commissioned devices: our strategic Shareholders and business partners generally prioritize us when considering service providers in disposing of their de-commissioned devices, given our proven track record in device recycling business as well as our cooperation with them. We are therefore in a better position to secure a stable supply of quality de-commissioned devices, which is the key to the development of our device recycling business. During the Track Record Period, our sales volume for device recycling business increased from 151,155 in 2019 to 598,685 in 2020 and further to 857,118 in 2021, and increased from 202,701 for the six months ended June 30, 2021 to 472,682 for the six months ended June 30, 2022. During the Track Record Period, our average revenue per device recycling customer increased from RMB252,791 in 2019 to RMB722,566 in 2020 and further to RMB839,608 to 2021, and increased from RMB682,835 for the six months ended June 30, 2021 to RMB1,060,598 for the six months ended June 30, 2022. As we continue to secure stable supply of de-commissioned devices, we expect our average revenue per device recycling customer will continue to grow in line with increasing customers’ stickiness.

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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 generally adopt our subscription services in a gradual manner, i.e. purchasing majority of their devices with rest of their required devices supported by our device subscription services. When their purchased devices approach end of useful lives, these customers will engage us to dispose of the de-commissioned devices and enter into subscription agreement for more devices. Customers that engaged us in both device subscription services and IT technical subscription services increased from 8,079 in 2019 to 8,933 in 2020, and further increased to 10,965 in 2021. Revenue per customer that engaged us in both subscription services increased from approximately RMB23,000 in 2019 to RMB26,000 in 2020, and further increased to RMB30,000 in 2021. For the six months ended June 30, 2021 and 2022, the number of customers that engaged us in both device subscription services and IT technical subscription services increased from 7,568 to 10,162. Revenue per customer that engaged us in both subscription services decreased from approximately RMB18,000 for the six months ended June 30, 2021 to RMB17,000 for the six months ended June 30, 2022. We also intend to increase our cross-selling opportunities by promoting our device recycling business to our existing device subscription customers and identifying business needs of device disposal of our customers, especially large corporate customers whom we have maintained long-term business relationships with.

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 also plan to promote cross-selling by providing new device categories to satisfy customers’ evolving demands, such as digital printing solutions and integrated cloud-based conferencing solutions. 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 as follows –

Depreciation: Our equipment for subscription is depreciated on a straight-line basis over their estimated useful life, which are generally five years and three years for brand new equipment and used equipment, respectively. We typically purchase devices designed for business use as devices for subscription, which have more stable performance and a higher

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residual value as opposed to consumer electronics devices. Our refurbishment and maintenance of devices primarily include (i) periodic system performance diagnosis and faults rectification, and (ii) replacement of obsolete or under-performing parts. As such, fully depreciated devices can be used for subscription, for another two years, during which the relevant device can continue to generate revenue from device subscription services without any depreciation charges. In 2019, 2020 and 2021, we refurbished 498,393, 999,268 and 1,375,443 devices, respectively, representing a CAGR of 66.1%. For the six months ended June 30, 2021 and 2022, we refurbished 428,427 and 681,053 devices, respectively, representing an increase of 59.0%. While the actual useful lives of certain devices can be extended, their useful lives for depreciation will remain unchanged for prudence sake. As subscription prices of devices generally decrease towards the end of their useful lives, we will determine the subscription prices of devices considering their number of years used, prices charged for comparable products offered by us in terms of conditions and functionality, as well as demand for and utilization of our devices for subscription in general. Our depreciation of property, plant and equipment and right-of-use assets amounted to RMB82.2 million in 2019, RMB131.2 million in 2020, RMB193.3 million in 2021 and RMB112.2 million for the first half-year of 2022 representing 100.1%, 91.2%, 72.8% and 74.6% of our device subscription revenue in 2019, 2020, 2021 and the first half-year of 2022, respectively.

Distribution and selling expenses: Sales and marketing efforts not only help us expand our customers base and subscription volume, but also enhances our brand awareness, making it a crucial support for our long-term business development. Our distribution and selling expenses largely consist of salaries and welfare of our sales and marketing team, which accounted for 8.1%, 3.1%, 4.1%, 4.1% and 3.9% of our revenue in 2019, 2020 and 2021 and for the first half-year of 2021 and 2022, respectively.

We expect that distribution and selling expenses will continue to be our main expenses, but we will improve the efficiency of such 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” above. We had 258 sales and marketing staff as of June 30, 2022 and plan to hire 70 sales and marketing staff in each of 2023, 2024 and 2025, representing growth of 27.1%, 21.3% and 17.6%, respectively, which we consider moderate compared to (i) our revenue CAGR during the Track Record Period of 63.1%, and (ii) CAGR of the DLM market in China of 32.0% from 2021 to 2026.

Finance costs: Our finance costs are primarily comprised of interest expenses on borrowings and accounted for 2.4%, 1.9%, 2.7%, 2.7% and 2.6% of our revenue in 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022, respectively. 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, taking into account: (i) the time it takes to obtain equity financing of required size, as compared to debt financing which may require additional time for negotiation of terms and conditions; (ii) the rise in finance cost resulted from higher gearing ratio; and (iii) the fact that there is no obligation to repay principal and interests under equity financing, which means greater flexibility in allocating financial resources to grow our business. We also expect to receive more favorable terms of debt

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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. As of December 31, 2019, 2020 and 2021 and June 30, 2022, our bank borrowing amounted to RMB68.1 million, RMB118.9 million, RMB211.6 million and RMB333.4 million, accounting for 38.6%, 39.2%, 39.1% and 51.0% of our total borrowings, respectively.

Our other operating expenses mainly include administrative expenses and research and development expenses which in aggregate accounted for 10.5%, 4.5%, 4.4%, 4.9% and 5.7% of total revenue in 2019, 2020, 2021 and the first half-year of 2021 and 2022, respectively. Such percentage is expected to decrease with our business growth. Leveraging our scalable business model to improve the cost-effectiveness, we have strong scale advantage with our market-leading position in China’s DLM market, which enables us to build up stable collaborative relationships with upstream suppliers, thereby reducing procurement costs and obtaining high quality devices for customers.

Working capital sufficiency

If the foregoing strategies are implemented as planned, we expect our total revenue to increase significantly in the next few years, against the backdrop of the fast growth of the DLM market in China. If we continue to increase our revenue as planned, we expect that our revenue from device recycling business, device subscription services and IT technical subscription services will increase significantly, mainly attributable to: (i) changes in the economic cycle will lead more enterprises to require IT asset disposal services; (ii) the continued impact of COVID-19 has weakened the willingness of enterprises to purchase IT devices. Device subscription services not only save cost and improve cash flow for enterprises, but also provide them with a flexible way to use IT devices; and (iii) enterprises are increasingly controlling labor costs, and labor outsourcing for non-core businesses has become a trend. Therefore, IT technical subscription services will have more room for development. We believe that the expected robust revenue growth and increasing operating leverage will drive our profitability. We plan to improve profitability mainly through realizing benefits from economies of scale, efficient operation management and control and the empowerment of digital management. Furthermore, our net cash generated from operating activities amounted to RMB58.7 million, RMB109.9 million and RMB278.8 million in 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.

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 upon the [REDACTED]. 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, internally generated funds and the estimated proceeds from the [REDACTED], our Directors are of the view that

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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 throughout the Track Record Period, net losses for the two years ended December 31, 2021 and the six months ended June 30, 2022 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.”

SALES AND MARKETING

Overview

We sell and deliver our DLM solutions through general marketing and branding by using different kinds of marketing channels. We have established long-standing relationships with leading Internet companies and e-commerce enterprises, including our strategic business partners. We adapt our sales and marketing strategies to directly respond to customers’ organizational priorities, inform their key decision makers, and focus on enhancing customer experience. Our sales team are equipped with thorough knowledge and expertise about our office IT services and business models, and are able to identify the needs of potential customers and business opportunities. We also constantly upgrade and enrich the content of our device subscription services to provide seamless services to meet our customers’ evolving needs as they become increasingly sophisticated and are of high standard in office IT devices.

We primarily operate our business online instead of offline physical stores. We aim to set our footprints in first- and second-tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen and will continuously expand our customer base and service categories in these core cities. We organize our sales and marketing team by geographic locations focusing on cities with fast economic development and large market capacity to raise our sales efficiency. Our sales team is divided into different teams targeting different types of customers and offerings, which results in a higher level understanding of customers’ varying needs. We also have a systematic recruitment process and a comprehensive training program to continually improve the professional competency of our sales team in order to provide premium services to our customers.

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As of the Latest Practicable Date, our sales and marketing team consisted of more than 240 employees with knowledge of our business, technology and the DLM industry, and with extensive professional experience.

Marketing and Branding

We promote our brand and attract new customers primarily through (i) direct sales efforts, (ii) user traffic gained from our strategic Shareholders and business partners, (iii) advertisements on search engines and (iv) referrals by our existing customers. Our marketing and branding efforts include the followings:

- *Direct sales efforts.* We rely on face-to-face marketing, including making cold calls, sending emails or paying visits to potential customers we meet at executive events, trade shows and industry events.
- *User traffic gained from our strategic Shareholders and business partners.* Our strategic Shareholders and business partners have opened up access to our services with corporate channels, from which we are able to gain large user traffic and expand our user base. See “– Our Strengths – Rapidly expanding customer base through reliable customer outreach channels.”
- *Advertisements on search engines.* We post advertisements on search engines and social media initiatives to attract customers.
- *Referrals by our existing customers.* We benefit from word-of-mouth referrals by our existing customers.

Collaboration with Strategic Shareholders and Business Partners

To market our brand and services in a more efficient way, we collaborate with leading Internet companies and e-commerce enterprises in China, including our strategic business partners, i.e. JD.com, Tencent and Lenovo, who are also our strategic Shareholders to mutually benefit from and enhance each other’s business. During the Track Record Period, the number of our strategic Shareholders and business partners increased from two (i.e. JD.com and Tencent) to three (i.e. JD.com, Tencent and Lenovo). They help broaden our customer acquisition channels and provide supply chain resources and offer business opportunities to us. For example, having served as its designated business partner in respect of office equipment solutions, Tencent WeStart would recommend our DLM solutions to the entrepreneurs and start-ups in the Tencent WeStart hub. Recommendations by Tencent WeStart are favorable to our credibility and position us better among providers of similar solutions. Our strategic Shareholders and business partners may also become our suppliers or customers of our DLM solutions. We amply share insights on business strategies during our collaboration. In respect of the collaboration on customer acquisition and the offering of business opportunities to us, see “– Our Strengths – Rapidly expanding customer base through reliable customer outreach channels” for details.

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We benefit from the aggregation effect brought by e-commerce platforms, such as JD.com, which facilitates the purchases under our device recycling business and accordingly increases our device recycling income. During the Track Record Period, our purchases under device recycling business from suppliers introduced through JD.com increased from RMB103.9 million in 2019 to RMB140.1 million in 2020 and further to RMB312.5 million in 2021, and increased from RMB111.4 million for the six months ended June 30, 2021 to RMB167.1 million for the six months ended June 30, 2022, representing 19.2%, 12.9%, 25.1%, 19.5% and 21.1% of our total purchases of IT devices under device subscription and recycling businesses for the respective periods. During the same periods, we generated a portion of revenue from the sales of de-commissioned IT devices through JD.com under our device recycling business. In 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022, such revenue amounted to RMB36.7 million, RMB59.8 million, RMB61.1 million, RMB31.0 million and RMB25.5 million, respectively, accounting for approximately 12.1%, 7.8%, 6.6%, 8.7% and 4.1% of our total device recycling income for the respective periods.

We typically enter into collaboration framework agreements or memoranda with these strategic Shareholders and business partners, key terms of which include:

- *Collaboration scope.* Our strategic Shareholders and business partners primarily provide us with marketing resources by connecting us to their service platforms and granting us access to their large user traffic while broadening service offerings to their customers.
- *Collaboration term.* We generally maintain a collaboration term of 2.5 years to 3 years with our strategic Shareholders and business partners. We expect no material difficulty in renewing the current or signing another agreement upon expiry of the current collaboration framework agreements.
- *Confidentiality.* No disclosure of information about our collaboration framework agreements to any third party without the other party’s consent is permitted. In case of the termination of the agreements, the confidentiality clauses remain valid.
- *Dispute resolution.* In the event of any dispute, both parties shall negotiate amicably. If a consensus cannot be reached, the parties have the right to sue or submit to the arbitration commission, as specifically stipulated in the respective agreement.

JD.com is a leading supply chain-based technology and service provider. We acquainted with JD.com in our ordinary course of business. Beginning in 2017, we have been providing device subscription and recycling services to JD.com, which later became our strategic Shareholder and business partner. Tencent is a leading provider of Internet value-added services in China, including communications and social digital content, advertising, fintech and cloud services. We acquainted with Tencent in our ordinary course of business by providing device subscription services to the entrepreneurs and start-ups in the Tencent WeStart hub. Tencent later became our strategic Shareholder and business partner. Lenovo is principally engaged in manufacturing and distribution of IT products and provision of IT services. We acquainted with Lenovo in our ordinary course of business. Lenovo later became our strategic Shareholder and business partner.

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As confirmed by our Directors, there have not been any other past or present relationships (including, without limitation, business, family, trust, employment, shareholding, financing or otherwise) between the Group and each of JD.com, Tencent or Lenovo, their respective directors, shareholders or senior management, or any of their respective associates, save for (i) JD.com, Tencent and Lenovo being our strategic Shareholders and business partners, (ii) Mr. Li Jing, who is currently the vice president of JD.com and the president of the corporate business division of JD Retail, being our non-executive director, (iii) JD.com being among our five largest suppliers in 2019, 2020 and 2021, (iv) the continuing connected transactions with JD.com during the Track Record Period. See “Connected Transactions” for details, and (v) the related party transactions with subsidiaries, joint ventures and affiliates of JD.com and companies owned by the controlling shareholder of JD.com during the Track Record Period. See “Financial Information – Related Party Transactions” for details.

Our Relationship with JD.com

While we maintain a good relationship with our strategic Shareholder and business partner, JD.com, we do not have material reliance on, and have remained independent of, JD.com in the following aspects.

Customer Relationship

During the Track Record Period, JD.com only contributed to less than 0.5% of our revenue in the respective periods. In 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022, we generated RMB0.4 million, RMB2.2 million, RMB4.1 million, RMB1.8 million and RMB2.3 million, respectively, for providing device subscription services to JD.com; RMB0.03 million, RMB0.16 million, RMB0.11 million, RMB0.02 million and RMB0.13 million, respectively, for providing IT technical subscription services to JD.com; and RMB0.1 million, nil, RMB0.01 million, approximately RMB3,000 and approximately RMB1,000, respectively, as device recycling income from JD.com. In addition, during the Track Record Period, JD.com generally contributed to less than 0.5% of gross profit in the respective periods, which was generally in line with its revenue contribution.

These transactions will constitute our continuing connected transactions upon [REDACTED]. See “Connected Transactions – Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements But Exempted from the Circular and Independent Shareholders’ Approval Requirements – 1. Subscription Services.”

Supplier Relationship

During the Track Record Period, our purchases from JD.com experienced a continuous decrease, which declined from RMB86.1 million in 2019 to RMB68.7 million in 2020 and further to RMB65.8 million in 2021, representing 15.9%, 6.3% and 5.3%, respectively, of our total purchases in the respective years. For the six months ended June 30, 2021 and 2022, our purchases from JD.com amounted to RMB37.1 million and RMB23.5 million, respectively, representing 6.5% and 3.0%, respectively, of our total purchases for the respective periods. The continuous decrease was primarily due to a decrease in our purchases of de-commissioned IT devices from JD.com which was affected by the disposal plans of de-commissioned IT devices

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of JD.com, partially offset by increases in (i) purchase of IT devices for subscription from JD.com which was in line with our business growth, and (ii) expenses attributable to JD.com primarily for marketing and promotion services, maintenance services and logistic services, which was in line with our business growth.

In particular, in 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022, our cost of sales attributable to JD.com amounted to RMB73.8 million, RMB52.7 million, RMB41.5 million, RMB25.6 million and RMB14.2 million, respectively; and our expenses attributable to JD.com amounted to RMB12.3 million, RMB16.0 million, RMB24.3 million, RMB11.5 million and RMB9.3 million, respectively. Our cost of sales attributable to JD.com primarily accounted for less than 5.0% of our Group’s total purchases of IT devices, and our total expenses attributable to JD.com generally maintained less than 2.5% of our Group’s revenue during the Track Record Period. Particularly, the amount of each category of related party transactions with the subsidiaries, joint ventures and affiliates of JD.com accounted for less than 1.5% of our Group’s revenue, indicating that the transactions were not substantial or significant.

These transactions will constitute our continuing connected transactions upon [REDACTED]. See “Connected Transactions – Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements But Exempted from the Circular and Independent Shareholders’ Approval Requirements – 2. Purchase of Devices” and “Connected Transactions – Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements But Exempted from the Circular and Independent Shareholders’ Approval Requirements – 3. Marketing, Promotion and Maintenance Services.”

Management and Administrative Independence

JD.com and us have respective directors and management teams who are independent of each other. Mr. Li Jing, who is currently the vice president of JD.com and the president of the corporate business division of JD Retail, is our non-executive director and is not involved in our day-to-day management.

Strategic Business Collaborations

We benefit from our partnership with JD.com, which has introduced customers to us offline and opened up online access to our services with its corporate channels. While important to us, we do not solely rely on JD.com as our customer outreach channel. During the Track Record Period, 75, 151, 154 and 137 customers purchased our device subscription services through JD.com’s offline introduction in 2019, 2020 and 2021 and for the six months ended June 30, 2022, respectively, who contributed in aggregate revenue of RMB4.4 million, RMB12.3 million, RMB35.9 million and RMB21.5 million, respectively, accounting for approximately 0.9%, 1.2%, 2.7% and 2.5% of our total revenue, for the same periods. In addition, commencing in the fourth quarter of 2020, we secured 23 device subscription customers through the online corporate channel of JD.com, who contributed in aggregate

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revenue of RMB0.02 million, accounting for approximately 0.002% our total revenue in 2020. In 2021, the number of device subscription customers introduced to us through the corporate channel of JD.com increased to 2,180, approximately half of which were secured in the second half of 2021 who contributed in aggregate revenue of RMB0.99 million, accounting for approximately 0.07% of our total revenue in 2021. For the six months ended June 30, 2022, we secured 1,992 device subscription customers through such channel, contributing in aggregate revenue of RMB1.8 million, accounting for approximately 0.2% of our total revenue for such period.

The aggregate device subscription revenue and gross profit contributed by customers who purchased our subscription services through JD.com accounted for less than 3.0% and 5.0%, respectively, of our Group’s revenue and gross profit, respectively, both of which were not material during the Track Record Period. Furthermore, the aggregate IT technical subscription revenue and gross profit contributed by such customers accounted for less than 0.6% and 3.0%, respectively, of our Group’s revenue and gross profit, respectively, both of which were not material during the Track Record Period. In addition, the aggregate revenue and gross profit contributed by customers who purchased our de-commissioned devices through the e-commerce platform of JD.com accounted for less than 8.0% and 3.0%, respectively, of our Group’s revenue and gross profit, respectively, both of which were not material and experienced a continuous decreasing trend during the Track Record Period.

We believe that, and JD.com concurs that, our DLM solutions are crucial to JD.com’s corporate business in that our services are complementary to the traditional sales of products of JD.com. Investment and collaboration with strategic business partners like us facilitate JD.com’s business model and operational efficiency, leading to its optimistic attitude towards, and belief in, our business prospects and potential growth. In light of the foregoing, our Directors are of the view that the Group’s relationships with JD.com will not materially adversely change or terminate in the future.

Apart from JD.com and the customers introduced by JD.com, during the Track Record Period, the rest of our customers contributed to nearly 90.0% of both of our Group’s revenue and gross profit. Our purchases from suppliers other than JD.com and those introduced by JD.com generally accounted for approximately 70% of our total purchases during the Track Record Period. Moreover, the expenses we incurred from our suppliers other than JD.com and/or its related parties and those introduced by JD.com generally accounted for more than 97.5% of our Group’s revenue. On the basis of the foregoing analyses, the overall revenue contribution, gross profit, costs and expenses attributable to (i) JD.com and/or its related parties, and (ii) customers and suppliers referred by JD.com and/or its related parties were not significant during the Track Record Period. Even if our relationships with JD.com were to materially adversely change or terminate in the future, our Directors are of the view that the Group’s business operations and financial performance would not be substantially affected.

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OUR CUSTOMERS

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. During the Track Record Period, we generally granted a credit term ranging from 0 to 180 days to our customers.

The following tables set out the details of our five largest customers in each year/period based on revenue contributed from them during the Track Record Period⁽¹⁾:

For the year ended December 31, 2019

Ranking	Customer	Type of services sold	Principal business	Listing status	Year of commencement of business relationship with the Group	Revenue (RMB'000)	Percentage of total revenue
1.	Customer A	Sales of IT devices	IT development and sales of IT and related devices	Private	2019	45,061	9.0%
2.	Customer B	Sales of IT devices	Research and development, and sales of environmental friendly devices and materials	Private	2018	20,448	4.1%
3.	Customer C	Sales of IT devices	Sales, consulting, outsourcing and provision of services related to new and second-hand IT devices	Private	2019	19,429	3.9%
4.	Customer D	Subscription of IT devices	Wholesale and retail of food, daily necessities, kitchen utensils and more	Listed on NASDAQ	2016	10,240	2.0%
5.	Customer E	Sales of IT devices	IT development and sales of IT and related devices	Private	2019	10,081	2.0%
Total						105,260	21.0%

(1) As advised by our PRC Legal Advisor, disclosure of the top five customers' respective identities would constitute a breach of confidentiality clauses under agreements with our customers, which require both parties to keep confidential of the relevant information or the business cooperation itself. We have made direct phone calls to each of the top five customers in each year/period during the Track Record Period to request for consent to disclose their respective identities in the document, all of whom have explicitly rejected our request.

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For the year ended December 31, 2020

Ranking	Customer	Type of services sold	Principal business	Listing status	Year of commencement of business relationship with the Group	Revenue (RMB'000)	Percentage of total revenue
1.	Customer F	Sales of IT devices	Sales of IT and related devices	Private	2020	105,014	10.3%
2.	Customer G	Sales of IT devices	IT development and sales of IT devices and software	Private	2020	62,694	6.1%
3.	Customer H	Sales of IT devices	Import and export of goods and IT devices	Private	2020	55,845	5.5%
4.	Customer I	Sales of IT devices	Sales of goods, including IT devices, auto parts, cosmetics and apparel	Private	2019	53,008	5.2%
5.	Customer J	Sales of IT devices	Sales of IT devices and operation of e-commerce platform	Private	2020	43,776	4.3%
Total						<u>320,337</u>	<u>31.3%</u>

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For the year ended December 31, 2021

Ranking	Customer	Type of services sold	Principal business	Listing status	Year of commencement of business relationship with the Group	Revenue (RMB'000)	Percentage of total revenue
1.	Customer K	Sales of IT devices	R&D, manufacturing and sales of purifiers and sales of IT devices and household appliances	Private	2021	56,465	4.2%
2.	Customer L	Sales of IT devices	IT development and provision of IT services	Private	2021	47,034	3.5%
3.	Customer A	Sales of IT devices	IT development and sales of IT and related devices	Private	2019	44,592	3.4%
4.	Customer M	Sales of IT devices	Sales of IT devices and accessories	Private	2019	44,561	3.3%
5.	Customer I	Sales of IT devices	Sales of goods, including IT devices, auto parts, cosmetics and apparel	Private	2019	42,205	3.2%
Total						<u>234,857</u>	<u>17.7%</u>

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For the six months ended June 30, 2022

Ranking	Customer	Type of services sold	Principal business	Listing status	Year of commencement of business relationship with the Group	Revenue (RMB'000)	Percentage of total revenue
1.	Customer N	Sales of IT devices	IT promotion and sales of IT devices	Private	2020	169,398	19.8%
2.	Customer G	Sales of IT devices	IT development and sales of IT devices and software	Private	2020	55,032	6.4%
3.	Customer O	Sales of IT devices	IT development and sales of IT devices and retail goods	Private	2019	40,457	4.7%
4.	Customer F	Sales of IT devices	Sales of IT and related devices	Private	2020	35,143	4.1%
5.	Customer I	Sales of IT devices	Sales of goods, including IT devices, auto parts, cosmetics and apparel	Private	2019	26,543	3.1%
Total						326,573	38.1%

During the Track Record Period, except for Customer D, all of our five largest customers in each year/period were device recycling customers who purchased the de-commissioned IT devices from us. The distribution of our five largest customers appeared random in each year/period during the Track Record Period as enterprises usually purchase IT devices in bulk as part of their capital investment which by nature may not take place every year.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our five largest customers in each year/period were Independent Third Parties. During the Track Record Period, our overlapping customers and suppliers (including Supplier A) were typically engaged in manufacturing, retails, e-commerce, manufacturing and sales of IT devices, software development, education and trainings, and certain individuals. In 2019, 2020 and 2021 and for the six months ended June 30, 2022, the total revenue we generated from the customers who were also our suppliers during such periods reached RMB92.0 million, RMB249.2 million, RMB216.1 million, and RMB30.8 million, respectively. Such sales were not related to or inter-conditional with the purchases from our overlapping suppliers.

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During the Track Record Period, we did not have any material disputes with the aforementioned customers nor did we receive any material complaints from such customers.

To the best of our Directors’ knowledge, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest customers in each year/period as of the Latest Practicable Date.

In our ongoing efforts to enhance customer satisfaction and improve service quality, we maintain a dedicated customer support and service team focused on real-time problem-solving and maintenance of our IT equipment with the ultimate goal of improving user experience and increasing customer stickiness.

OUR SUPPLIERS

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. During the Track Record Period, our suppliers generally granted us a credit term of 0 to 30 days.

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The following tables set out the details of our five largest suppliers in each year/period based on purchases from them during the Track Record Period⁽¹⁾:

For the year ended December 31, 2019

Ranking	Supplier	Type of products purchased	Principal business	Listing status	Year of commencement of business relationship with the Group	Purchase amount (RMB'000)	Percentage of total purchase
1.	Supplier A*	IT devices for subscription	Operation of e-commerce platform and sales of goods, including computers and household appliances	Listed on NASDAQ and the Hong Kong Stock Exchange	2018	86,129	15.9%
2.	Supplier B	IT devices for recycling	Collection, recycling and utilization of waste materials	Private	2018	57,840	10.7%
3.	Supplier C	IT devices for recycling	IT development, IT technical services and sales of software	Private	2019	54,130	10.0%
4.	Supplier D	IT devices for subscription	Application software services, technology development, and technical services and consultation	Listed on NEEQ	2017	40,363	7.5%
5.	Supplier E	IT devices for recycling	Wholesale and IT consulting	Private	2019	21,699	4.0%
Total						260,160	48.1%

(1) As advised by our PRC Legal Advisor, disclosure of the top five suppliers' respective identities would constitute a breach of confidentiality clauses under agreements with our suppliers, which require both parties to keep confidential of the relevant information or the business cooperation itself. We have made direct phone calls to each of the top five suppliers in each year/period during the Track Record Period to request for consent to disclose their respective identities in the document, all of whom have explicitly rejected our request.

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For the year ended December 31, 2020

Ranking	Supplier	Type of products purchased	Principal business	Listing status	Year of commencement of business relationship with the Group	Purchase amount (RMB'000)	Percentage of total purchase
1.	Supplier F	IT devices for recycling	Retail, wholesale, import and export of new and second-hand IT devices	Private	2020	334,220	30.7%
2.	Supplier D	IT devices for subscription	Application software services, technology development, and technical services and consultation	Listed on NEEQ	2017	71,088	6.5%
3.	Supplier A*	IT devices for subscription	Operation of e-commerce platform and sales of goods, including computers and household appliances	Listed on NASDAQ and the Hong Kong Stock Exchange	2018	68,697	6.3%
4.	Supplier G	IT devices for recycling	R&D, manufacturing, sales and after-sales service of IT devices and accessories, and IT technical services	Private	2020	59,713	5.5%
5.	Supplier H	IT devices for recycling	Collection and sales of second-hand IT devices, and IT development, training and consulting	Listed on NASDAQ and the Hong Kong Stock Exchange	2019	52,266	4.8%
Total						585,984	53.9%

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For the year ended December 31, 2021

Ranking	Supplier	Type of products purchased	Principal business	Listing status	Year of commencement of business relationship with the Group	Purchase amount (RMB'000)	Percentage of total purchase
1.	Supplier C	IT devices for recycling	IT development, IT technical services and sales of software	Private	2019	264,286	21.2%
2.	Supplier I	IT devices for recycling	IT development, consultation, training and provision of technical services	Private	2021	146,164	11.7%
3.	Supplier J	IT devices for subscription	Manufacturing, R&D and sales of IT and mobile devices and accessories	Listed on NYSE (parent company)	2015	85,914	6.9%
4.	Supplier A*	IT devices for subscription	Operation of e-commerce platform and sales of goods, including computers and household appliances	Listed on NASDAQ and the Hong Kong Stock Exchange	2018	65,830	5.3%
5.	Supplier D	IT devices for subscription	Application software services, technology development, and technical services and consultation	Listed on NEEQ	2017	61,689	5.0%
Total						<u>623,883</u>	<u>50.1%</u>

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For the six months ended June 30, 2022

Ranking	Supplier	Type of products purchased	Principal business	Listing status	Year of commencement of business relationship with the Group	Purchase amount (RMB'000)	Percentage of total purchase
1.	Supplier G	IT devices for recycling	R&D, manufacturing, sales and after-sales service of IT devices and accessories, and IT technical services	Private	2020	348,292	44.0%
2.	Supplier K	IT devices for subscription and recycling	R&D, sales, repair and testing of IT and related devices, data management services and software R&D services	Listed on the Hong Kong Stock Exchange	2018	57,866	7.3%
3.	Supplier I	IT devices for recycling	IT development, consultation, training and provision of technical services	Private	2021	41,532	5.3%
4.	Supplier C	IT devices for recycling	IT development, IT technical services and sales of software	Private	2019	39,148	5.0%
5.	Supplier L	IT devices for recycling	IT development and consultation and provision of cloud-based platform services	Listed on the SSE STAR Market	2020	28,263	3.6%
Total						515,101	65.2%

* Supplier A is a related party and a connected person. For details of transactions with Supplier A during the Track Record Period, please see note 35 – Related Party Transactions in Appendix I to this document for related parties transactions, and the section headed “Connected Transactions” for continuing connected transactions.

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During the Track Record Period, except for Supplier A, Supplier D, Supplier J and Supplier K, all of our five largest suppliers in each year/period were device recycling suppliers who disposed of their de-commissioned IT devices to us. The distribution of our five largest suppliers appeared random in each year/period during the Track Record Period as enterprises usually dispose of their de-commissioned IT devices in bulk as part of their fixed asset management which by nature may not take place every year.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our five largest suppliers in each year/period were Independent Third Parties. During the Track Record Period, our overlapping customers and suppliers (including Supplier A) were typically engaged in manufacturing, retails, e-commerce, manufacturing and sales of IT devices, software development, education and trainings, and certain individuals. In 2019, 2020 and 2021 and for the six months ended June 30, 2022, the total purchase amount we incurred from the suppliers who were also our customers during such periods reached RMB193.0 million, RMB169.8 million, RMB153.5 million and RMB64.4 million, respectively. Such purchases were not related to or inter-conditional with the sales from our overlapping customers.

The number of our recurring suppliers (i.e. suppliers with whom we had transactions in the respective year and at least one other year during the Track Record Period) for de-commissioned IT devices was 193 in 2019, 184 in 2020, 260 in 2021, and 165 and 161 for the six months ended June 30, 2021 and 2022, respectively. The purchase amount we made with the aforesaid recurring suppliers for de-commissioned IT devices was RMB274.1 million in 2019, RMB605.6 million in 2020, RMB658.9 million in 2021, RMB255.1 million and RMB589.5 million for the six months ended June 30, 2021 and 2022, respectively, which amounted to 50.6%, 55.7%, 52.9%, 44.6% and 74.6% of our total purchase value in 2019, 2020, 2021, and for the six months ended June 30, 2021 and 2022, respectively. The purchase volume we made with the aforesaid recurring suppliers for de-commissioned IT devices was 217,771 in 2019, 611,991 in 2020, 710,695 in 2021, 190,138 and 430,315 for the six months ended June 30, 2021 and 2022, respectively, which amounted to 63.0%, 76.8%, 77.7%, 62.9% and 82.8% of our total purchase volume in 2019, 2020, 2021, and for the six months ended June 30, 2021 and 2022, respectively.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant fluctuation in prices set by our suppliers, material breach of contract on the part of our suppliers, or delay in delivery of our orders from our suppliers.

To the best of our Directors' knowledge, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers in each year/period as of the Latest Practicable Date.

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INVENTORY MANAGEMENT

Our inventories primarily consist of (i) de-commissioned IT devices such as laptops, monitors, tablet computers acquired via and held for sale under our device recycling business and (ii) device components and accessories. See “Financial Information – Discussion of Certain Consolidated Statements of Financial Position Items – Assets – Inventories.” We have implemented policies to optimize our inventory level. According to such policies, we standardize our inventory management through our digital warehousing system across our general warehouse in Wuhan and sub-warehouses in Shenzhen, Shanghai, Beijing, Guangzhou, Nanjing, Xiamen, Chengdu and Hangzhou. Each of the inventories is given a unique identification code at the time of storage and we keep track of all inventories at all stages.

We inspect our warehouses on a daily basis, and conduct spot checks from time to time to ensure smooth operation within the warehouses. We analyze our inventory level on a monthly basis, and prepare inventory inspection reports and deal with obsolete and slow-moving inventories in a timely manner. In particular, in respect of inventories stored for more than 30 days, our system would automatically pop up a reminder on the homepage interface of our sales team when they log into the system. Such reminder allows our sales team to keep track with all the obsolete inventories and subsequently develop plans for their sales. For slow-moving IT devices held for sale, we collect information about prices of comparable brands and models in the market and adjust our selling prices to the extent appropriate. For IT components and accessories that become obsolete due to normal wear and tear during their usage from our device subscription service customers, we confirm the inventory status through our digital warehousing system and dispose of them in a timely manner.

RESEARCH AND DEVELOPMENT

Our vision and focus on innovation have fueled our growth and enabled us to continuously improve our existing offerings and develop new services and solutions. We aim at building a core and integrated technology system for our device subscription services to support more business lines and to connect with more business partners. By continuing to develop our device management SaaS and integrate our device recycling business, device subscription services and IT technical subscription services, we endeavor to provide enterprises with integrated DLM solutions. During the Track Record Period, our research and development expenses amounted to RMB12.0 million, RMB13.7 million, RMB18.3 million, RMB8.0 million and RMB13.0 million in 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022, respectively.

In addition, we have developed a complete front-desk, middle-office and back-end system to facilitate our daily operations. In the front-desk, we have built our own bearrental.com website, SaaS platform, customer relationship management (CRM) and connected with JD.com

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channel to present intelligent user interface for the access to our DLM business. In the middle-office, we have built our risk control management system, order settlement and delivery system, warehouse management system, office asset management system, and manual settlement and clearing system to handle complex operation, facilitate the connection between users and our staff and act as a bridge between the front-desk and back-end system. It also meets the technology needs of the refined operation management of our enterprise customers. In the back-end, we have established the ERP system which included material management and financial accounting and controlling, consisted of the database and infrastructure that controls the front-desk software and platform and is not shown to the user. We believe strong research and development capabilities are crucial to our continued success and ability to develop quality service offerings to keep up with fast development and advances in software technology.

Research and Development Team

We have established an R&D center in our headquarter, Shenzhen, focusing on daily R&D activities and operations. As of the Latest Practicable Date, we employed more than 70 dedicated R&D staff.

Research and Development Process

Our development process for a new DLM solution or a major new update to existing solutions and software can be divided into four stages. Each of the first three stages usually takes around one month, while the final stage is an ongoing process.

- *Stage 1: Demand Analysis.* Our sales and marketing team takes the lead on conducting market analysis to collect feedback from customers.
- *Stage 2: Product Design and Review.* We design new solutions and software to address our customers' needs.
- *Stage 3: Product Development.* We complete coding, testing and verification before officially launching the new solution or software.
- *Stage 4: Ongoing Optimization.* We make continuous efforts in R&D and technology innovations and continue to optimize functions and performance based on user feedback. We also release updated versions with improved features and functionalities regularly.

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DATA PRIVACY AND INFORMATION SECURITY RISK MANAGEMENT

Overview

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 such as in which industry our customers engaged and our internal classification of such industries. See “Risk Factors – Risks Relating to Our Business and Industry – 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.” and “Regulatory Overview – Regulations Relating to Internet Security, Information Security and Data Privacy – Regulations Relating to Information Security and Data Privacy.”

We pay close attention to risk management relating to our IT system, as storage and protection of corporate data and related information is critical to us. To ensure data security, we have adopted a rigorous encrypted algorithm to store sensitive data and strictly execute a data accessing and transmitting policy to ensure the confidentiality of our data. We have also developed strict internal control and data accessing mechanisms and detailed approval and operation procedures regarding data storage and processing. We have established a set of internal protocols on data security, which set forth detailed, stringent requirements in relation to the use, disclosure and protection of confidential information. Among other things, such internal protocols:

- provide limited authorization to our employees holding specific positions at specific levels to access and process corporate data on a need-to-know basis, who shall use such data only for the purposes of performing their work assignment; and
- require our employees to obtain written authorizations from users before performing any requests.

We provide data privacy trainings to employees on a periodic basis to increase their compliance awareness. In addition, employees are required to sign a confidentiality agreement with us, which prohibits them from disclosing any confidential information relating to their work without our consent. We have a comprehensive data backup system to encrypt and store data on servers in different locations in order to minimize the risk of data loss. We also conduct data restoration tests to examine the status of the backup system on a regular basis.

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In addition, we have established a remote disaster recovery system for our server by setting up multiple storage for the same information and data of long time dimension on the cloud, local and remote locations. Even if the server is damaged due to the highest level of disasters such as earthquakes, mudslides and other irresistible natural disasters, we believe that it can safeguard and guarantee that the service and data can be completely restored within 24 hours.

During the Track Record Period, we did not experience any breach of confidential information of users or any other user information related incidents which could cause a material adverse effect on our business, financial condition or results of operations. 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.

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.

No Cybersecurity Review Required

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. However, it is unclear as to the definite explanation or interpretation to “network platform operator” (網絡平台運營者) in the Revised Cybersecurity Review Measures. According to the Draft Data Security Regulations, a network platform operator refers to a data processor who provides users with network platform services including social networking services, transaction and payment services, and audio-visual services. By referring to such definition in the Draft Data Security Regulations, we are highly likely to be considered

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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), according to our PRC Legal Advisor. 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 below the one million threshold⁽¹⁾.

On May 9, 2022, our PRC Legal Advisor conducted a phone consultation with CCRC, an institution authorized by CAC to conduct cybersecurity review which, according to our PRC Legal Advisor, is a competent authority to provide a view on such matter. Our PRC Legal Advisor informed CCRC of the [REDACTED] and consulted whether it is necessary for us to apply for cybersecurity review, and specifically inquired whether “listing in Hong Kong” constitutes “listing abroad.” 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.

Compliance with Cybersecurity Regulations

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.

(1) We only acquire the personal information from users who register on our websites and apps, including *Bear Butler*. For a detailed description of active users, see “– Device Management SaaS – Bear Butler.” The personal information of the active users of *Bear Butler* are not disclosed to us if they merely use *Bear Butler* to manage their subscribed or self-owned devices. As a result, the number of registered users whose personal information we possess is different from that of active users on *Bear Butler*.

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During the Track Record Period and up to the Latest Practicable Date, we had not received any notice or determination from the competent PRC government authorities identifying us as a critical information infrastructure operator. Accordingly, our PRC Legal Advisor is of the view that we do not need to apply for a cybersecurity review for purchases of network products or services or data handling activities with its current business operations.

No Material Adverse Impact on Our Business Operations

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] on the basis that:

- (i) we have implemented relevant measures to ensure user privacy and data security and to comply with applicable cybersecurity and data privacy laws and regulations in the PRC,
- (ii) as of the Latest Practicable Date, we had not been subject to any investigation, inquiry or sanction in relation to cybersecurity or data privacy or any cybersecurity review from the CAC or any other relevant government authorities,
- (iii) during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with cybersecurity or data privacy laws or regulations,
- (iv) as advised by our PRC Legal Advisor, we had not been involved in any activities that might give rise to national security risks based on the factors set out in Article 10 of the Revised Cybersecurity Review Measures during the Track Record Period and up to the Latest Practicable Date, and
- (v) during the Track Record Period and up to the Latest Practicable Date, we had not received any notice or determination from the competent PRC government authorities identifying us as a critical information infrastructure operator.

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].

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As of the Latest Practicable Date, the scope of critical information infrastructure operators and the scope of network products or services or data processing activities that affect or may affect national security remain unclear and are subject to interpretation by relevant government authorities. The Draft Data Security Regulations were released for public comment only and the final version and effective date are subject to change and uncertainty. We cannot preclude the possibilities that new regulations or rules in the future may impose additional compliance requirements on us. See “Risk Factors – Risks Relating to Our Business and Industry – 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.” We plan to closely monitor the legislative and regulatory development in connection with cybersecurity and data protection, including the Draft Data Security Regulations and the interpretation or implementation rules of laws and regulations of cybersecurity and data protection, and will adjust and enhance our data practices in a timely manner to ensure compliance once such interpretation or implementation rules come into effect.

INTELLECTUAL PROPERTY

We regard our copyrights, trademarks, trade secrets and other intellectual property rights as critical to our business operations. As of the Latest Practicable Date, we possessed 48 software copyrights, 2 art copyrights, 23 trademarks and 21 domain names in China. We had also filed applications for 2 trademarks in China as of the same date. For detailed information about our material intellectual property, see “Appendix IV. Statutory and General Information – B. Further Information about our Business – 2. Intellectual Property Rights of our Group.”

In this regard, we rely primarily on a combination of copyrights, trademarks, trade secrets, and unfair competition laws and contractual rights, such as confidentiality agreement, to protect our intellectual property rights. We generally state all rights and obligations regarding the ownership and protection of intellectual properties in employment confidentiality agreements and some commercial agreements we enter into. In addition, we have taken the following key measures to protect our intellectual property rights: (i) implementing a set of comprehensive internal policies to establish robust management over our intellectual property rights, (ii) deploying a special team to guide, manage, supervise and monitor our daily work regarding intellectual properties, (iii) timely registration, filing and application for ownership of our intellectual properties, (iv) actively tracking the registration and authorization status of intellectual properties and take action in a timely manner if any potential conflicts with our intellectual properties are identified, and (v) engaging professional intellectual property service providers.

As explicitly stated in our device subscription service agreement, we are only responsible for the assembly and set-up of the devices. It is the responsibility of our customers to install software they need in accordance with the relevant laws and regulations. All responsibilities of infringement of intellectual property alleged by third parties caused by the improper use of

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unlicensed software shall be borne by the customers. Moreover, we regularly inspect for our IT devices in order to prohibit our employees from installing pirated software and to ensure we do not infringe the intellectual property of any licensed software.

As of the Latest Practicable Date, we had not been subject to any material disputes or claims for infringement upon third parties’ intellectual property rights in the PRC.

COMPETITION

We face competition in respect of the quality and effectiveness of our DLM solutions, our ability to meet potential customers’ expectations and specifications in a flexible way, and our experience and reputation. The principal competitive factors in our industry generally include scope and quality of services, speed in response, marketing and sales capabilities, user experience, pricing, brand recognition and reputation.

We believe that there are high barriers for our competitors to enter into the market, which include, among other things, sufficient capital, extensive customer acquisition, vast equipment resources, accumulated industry experience, effective risk control management system, and extensive research and development capacities. For more information on the competitive landscape of our industry, see “Industry Overview.” Our Directors believe that we will maintain our competitiveness over other competitors and our market position by strengthening and developing our competitive strengths. Our competitive strengths are highlighted in the paragraph headed “Our Strengths” in this section.

SEASONALITY

We experience seasonal fluctuations in our revenue and results of operations. We have historically experienced accelerated revenue generation, especially from our device recycling business, in the second half of a particular year as compared to the first half of that year. This is mainly attributable to the tendency that most of the enterprise users make close-to-year-end disposal plans to match with their recruitment schedules, which results in higher IT device recycling demands. Overall, the impact of seasonality on our business has been relatively mild due to our fast growth. The seasonal trends we have experienced in the past may not apply to, or be indicative of, our future operating results. See “Risk Factors – Risks Relating to Our Business and Industry – Our results of operations are subject to seasonal fluctuations.”

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EMPLOYEES

As of June 30, 2022, we had 796 full-time employees, all of whom were based in China. The following table sets forth the number of our employees by function as of June 30, 2022:

Function	Number of employees
Sales and marketing	258
IT technical subscription services	240
Refurbishing and manufacturing	119
Research and development	79
Risk management	22
Administration and management	78
Total	796

We recognize the importance of talents for sustainable business growth and competitive advantages. We believe that our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees competitive salaries, performance-based bonuses, and other incentives. We typically sign non-competition agreement with our senior management or other key employees with a two-year term. Our employees are reviewed every month or season on the basis of, among other criteria, their abilities to achieve stipulated performance targets. As a result, we have generally been able to attract and retain qualified employees and maintain a stable core management team.

We plan to adopt a diversified recruitment approach to ensure a sufficient talent pool for key positions. We primarily recruit our employees through on-campus recruitment, online channels and third-party employment websites. We provide on-board training for all of our employees as well as periodic training or seminars to ensure their self-development. We also strive to create a multiple-incentive mechanism and a friendly working environment to fulfill our employees’ full potential.

Our employees are not currently represented by any labor union. We believe that we generally maintain good working relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any labor disputes or strikes, except for certain civil lawsuits arising from disputes with former employees concerning the calculation of compensation to them. Such civil lawsuits have been fully settled with indemnification of approximately RMB100,000 in aggregate, which are immaterial to us and have been paid in full. Our Directors are therefore of the view that such civil lawsuits do not have any material adverse effect, whether financial or operational or otherwise, on our Group. See “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.”

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Social Insurance and Housing Provident Fund Contribution

During the Track Record Period and up to the Latest Practicable Date, we did not make full social insurance and housing provident fund contribution for our employees in strict compliance with relevant laws and regulations. See “Risk Factors – Risks Relating to Our Business and Industry – We may be subject to additional contributions of social insurance and housing provident fund and late payments and fines imposed by relevant governmental authorities” for the relevant risks. According to the certifying letters issued by relevant local social insurance and housing provident fund bureaus which, according to our PRC Legal Advisor, are the competent authorities for issuing such letters, during the Track Record Period, such authorities did not impose administrative penalties on our PRC subsidiaries for failure to make full social insurance or housing provident fund contributions. It is also confirmed that our PRC subsidiaries had not made social insurance or housing provident fund contributions in arrears.

As advised by our PRC Legal Advisor, according to (i) the interviews conducted with the deputy chief officer of Futian Branch of Shenzhen Social Insurance Fund Administration (深圳市社會保險基金管理局福田分局) and an officer responsible for handling provident fund-related matters of Futian Management Department of Shenzhen Provident Fund Management Center (深圳市公積金管理中心福田管理部) who, according to our PRC Legal Advisor, are competent to advise on such matters; (ii) our Directors’ confirmation that we had not been imposed of any administrative penalties for not paying the social insurance premiums and housing provident funds in full, or received any notice to pay the shortfall, by relevant social insurance and housing provident fund bureaus during the Track Record Period; and (iii) proper examinations and inspections conducted by our PRC Legal Advisor, the risk of being imposed of administrative penalties by the relevant social insurance and housing provident fund bureaus regarding the failure to pay the social insurance premiums and housing provident funds in full for our employees during the Track Record Period in Shenzhen is low. Moreover, as we have not received complaints from our employees, the risk of being required to pay such shortfall by the relevant social insurance and housing provident fund bureaus is low.

In addition, as advised by our PRC Legal Advisor, regarding our PRC subsidiaries incorporated outside Shenzhen, since (i) we have received the certifying letters from the relevant social insurance and housing provident fund bureaus confirming that we had not been imposed of any administrative penalties, and that our PRC subsidiaries had not made social insurance or housing provident fund contributions in arrears, during the Track Record Period; (ii) our Directors have confirmed that we had not been imposed of any administrative penalties for not paying the social insurance premiums and housing provident funds in full, or received any notice for paying the shortfall, by relevant social insurance and housing provident fund bureaus during the Track Record Period and have promised to pay the shortfall upon requirement by the relevant authorities; and (iii) as of June 30, 2022 we have made provision of RMB13.0 million for the social insurance and housing provident fund contribution shortfall in preparation to meet any possible future requirement by the relevant authorities to make the

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overdue payment, the risk of being imposed of administrative penalties by the relevant social insurance and housing provident fund bureaus regarding the failure to pay the social insurance premiums and housing provident funds in full for our employees during the Track Record Period is low.

To prevent recurrence of the non-compliance incidents in relation to under-contributions of social insurance and/or housing provident fund, we will review our social insurance and housing provident fund contributions on a regular basis and will make social insurance and housing provident plan contributions in accordance with applicable legal requirements.

LAND AND PROPERTIES

Owned Properties

We are headquartered in Shenzhen. As of the Latest Practicable Date, we did not own any properties in the PRC.

Leased Properties

As of the Latest Practicable Date, we leased 15 properties in the PRC with an aggregate GFA of approximately 24,077 sq.m. from third parties. These properties were used primarily as premises of offices and storages. Our lease agreements in respect of the abovementioned leased properties generally have lease terms ranging from one to 10 years.

Pursuant to the applicable PRC laws and regulations, property lease agreements must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部). As of the Latest Practicable Date, we had not obtained lease registration for 10 of our leased properties in China. See “Risk Factors – Risks Relating to Our Business and Industry – We may be liable for failure to register and file our lease agreements, which may subject us to penalties.” for details. The lease agreements for our leased properties had not been registered as required, primarily due to the lack of cooperation from our lessors in registering the relevant lease agreements. We will take all practicable and reasonable steps to ensure that such leases are registered. To minimize the potential negative impact of the non-registered leases on our operations, we continue to communicate with such lessors to seek their cooperation to complete the registration process. As advised by our PRC Legal Advisor, the lack of registration of the lease agreements does not affect the validity of such lease agreements.

According to the relevant PRC laws and regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. As of the Latest Practicable Date, we had not received any such request or suffered any such fine from the relevant government authorities. We undertake to cooperate fully to facilitate the registration of lease agreements once we receive any requirements from relevant government authorities.

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As of the Latest Practicable Date, the lessors of four of our leased properties were unable to provide valid ownership certificates or other sufficient ownership documents. We primarily used such properties as offices and warehouses. Any dispute or claim arising from such title defects of our leased properties may require us to relocate our premises and incur relocation costs. See “Risk Factors – Risks Relating to Our Business and Industry – We may incur additional costs as a result of any dispute or claim arising from the title defects of our leased properties.” As of the Latest Practicable Date, we had not received any request of relocation from the lessors or any third parties. Even if we are required to do so in the future, our Directors are of the view that we will not incur substantial costs for seeking alternative premises due to the convenience of relocating offices and warehouses. In addition, we reserve the right to claim the lessors’ liabilities arising from an event of default under the relevant PRC laws and the lease agreements.

In the unlikely event that we are forced to vacate such four leased properties by the relevant PRC authority, we believe it would not be difficult to find suitable sites for relocation or to transport our devices or redecorate our office areas, as the four leased properties are located in industrial parks or business districts where properties available for rent are sufficient. We estimate the costs of the relocation would be approximately RMB2.3 million, including the logistics expenses and capital expenditure for the backup sites, which are expected to be funded by our internal resources. We estimate such relocation, if occurs, would take approximately 30 days to complete. We believe that such relocation, if occurs, would not have a material adverse effect on our business, financial condition and results of operations.

According to our PRC Legal Advisor, our Group will not be subject to any penalties for the four leased properties with title defects as our Group does not own such properties and do not have the obligation to rectify such issue. Our Directors are of the view that the lack of the ownership certificates or other sufficient ownership documents of these four leased properties did not cast any actual or potential impact on the Group’s material licenses, or impose a material adverse effect on the Group’s business, financial position and results of operations during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

During the Track Record Period, we provided mandatory social insurance for our employees as required by PRC social insurance regulations, such as pension insurance, unemployment insurance, work injury insurance and medical insurance. We also maintain workplace accident insurance for certain of our employees who frequently work on-site, and compulsory insurance for vehicle traffic accident liability.

We do not maintain keyman life insurance or insurance covering damages to our network infrastructure, IT systems or business interruption. In addition, we may be subject to product liability if the IT devices sold or subscribed do not conform to the physical health requirements as stipulated in relevant PRC laws and regulations. However, as we are not the producers of these IT devices, we, as a service provider and seller, would not bear the ultimate product liability and have the right to claim indemnification against the producer for product defects

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arising from the production process. During the Track Record Period, we had not been the subject of any project liability claims. Our Directors consider our insurance policy as a whole is in line with the general market practice and complies with the relevant rules and regulation in China. See “Risk Factors – Risks Relating to Our Business and Industry – We may not have sufficient insurance coverage to cover our potential liability or losses and as a result, our business, financial conditions, results of operations and prospects may be materially and adversely affected should any such liability or losses arise.” As of the Latest Practicable Date, we had not experienced any business interruptions that had a material adverse effect on our business.

AWARDS AND RECOGNITIONS

During the Track Record Period, we received awards and recognition in respect of our DLM solutions, technology and innovation, significant ones of which are set forth below:

Award year	Award/Recognition	Awarding Institution/Authority
2021	Specialized and new “little giant” enterprises (專精特新“小巨人”企業)	MIIT
	2021 Top 50 New Economy Pioneer Enterprises in Guangdong-Hong Kong-Macao Greater Bay Area (2021粵港澳大灣區新經濟先鋒企業50強)	Greater Bay Area Technology Innovation Service Center (大灣區科技創新服務中心), Guangdong Venture Capital Association (廣東省創業投資協會), KPMG China (畢馬威中國)
2020	High-tech Enterprise Certificate (高新技術企業證書)	Shenzhen Science and Technology Innovation Committee (深圳市科技創新委員會), Shenzhen Finance Bureau (深圳市財政局), State Taxation Administration, Shenzhen Taxation Bureau (國家稅務總局深圳市稅務局)
2019	2018 Product of the Year Award (2018年度產品獎)	Chinese Academy of Sciences Internet Weekly (中國科學院互聯網週刊) and the Information Research Center of the Chinese Academy of Social Sciences (中國社會科學院信息化研究中心)
	National SME Public Service Demonstration Platform (國家中小企業公共服務示範平台)	MIIT

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LICENSES, PERMITS, AND APPROVALS

As of the Latest Practicable Date, as advised by our PRC Legal Advisor, we had obtained all material licenses and permits required for our business operations (i.e. business licenses of our PRC subsidiaries) in the PRC, and such business licenses had remained in full effect. Our PRC Legal Advisor has advised us that there was no material legal impediment to renewing business licenses for our PRC subsidiaries as of the Latest Practicable Date.

HEALTH, WORK SAFETY, AND ENVIRONMENTAL MATTERS

We are not required to obtain any environmental permits and approvals in relation to our business operations. During the Track Record Period, there had not been any material incidents that constituted a violation of any environmental regulations by us, and no penalty had been imposed on our Group.

Our operations are also subject to occupational health and safety regulations issued by the relevant occupational health and safety authorities in China. We currently do not operate any manufacturing facilities and are not subject to significant health or safety risks. We have taken measures to promote occupational health awareness and safety at workplace. Our Directors confirm that there were no material accidents, work injuries claims for personal or property damages, compensation to staff or any relevant non-compliance incidents with the relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We believe our continued growth rests on integrating social values into our business and are committed to being a responsible corporate citizen. We are committed to promoting corporate social responsibility and sustainable development and integrating it into all major aspects of our business operations. In 2020, we were awarded the certificate of registration of Responsible Recycling issued by Perry Johnson Registrars, Inc. with respect to our dedication in purchase, recycling, testing, resale and data destruction of used IT devices. In addition, we have issued an ESG report in March 2022^(note), which is the first ESG report issued in the DLM industry in China. We believe that corporate social responsibility is part of our core growth philosophy that will be pivotal to our ability to create sustainable value for our Shareholders by embracing diversity and public interests.

For users of our platform to better cope with the COVID-19 pandemic, in 2020, we have put in place plans for corporate users to subscribe for IT devices at a reduced cost and enjoy free IT technical subscription services and office emergency pack, continuously providing assistance to corporate customers to reduce the negative financial impact caused by COVID-19 and corporate employees solve work-at-home IT device difficulties. In addition, we have assisted in providing IT devices and IT technical services to support the social work during the COVID-19 pandemic. In February 2021, we were awarded the “Fintech – Overall Contribution Award (金融科技-綜合貢獻獎)” issued by the People’s Government of Futian District of Shenzhen (深圳市福田區委區政府) for our efforts to contribute to society and fulfill our social responsibilities during the COVID-19 pandemic.

Note: The ESG report can be downloaded via https://img.52rental.com/group1/M00/2A/BE/wKgAPW18T2uACIRsAZ_k7UC7PEk620.pdf.

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We aim to reduce any negative impacts on the environment and strive for sustainable development as demonstrated by our DLM solutions, aiming at reducing electronic waste. We aim to decrease the carbon emissions and achieve carbon peaking and carbon neutrality through our efforts, which is in line with PRC government strategic decisions and our green economy values.

Governance Regarding Environmental, Social and Climate-related Risks

Being environmentally-friendly and having positive social impact are at the core of our business and corporate governance. Our business has been reducing electronic waste for enterprises by extending the useful life of electronic IT devices. We have implemented an ESG policy, which provides guidelines to the management of the Group’s environmental, social and climate-related issues. In particular, our policy on the management of severe weather conditions lists out the measures to be taken against the increasingly frequent extreme weather conditions such as typhoons and flooding due to climate change.

We believe that it requires collective effort from our Board of Directors to evaluate and manage material ESG issues, therefore we have not established any sub-committee for ESG issues. Instead, our Board of Directors takes up the responsibility of monitoring and managing material ESG issues, with the assistance from the management. Our Board of Directors is principally responsible for setting up the Group’s overall ESG vision, direction and strategy, monitoring and reviewing our ESG performances and fulfillment of the Board of Directors’ ESG vision. Our Board of Directors has also assigned our chief executive officer to oversee the coordination of different departments to ensure that our operations and practices are in line with related ESG strategies.

Furthermore, our Board of Directors closely follows and monitors the latest requirements regarding ESG disclosure and regulatory compliance. For instance, we place great emphasis on the Stock Exchange’s ESG requirements, and in order to ensure compliance with the said requirements, our Board of Directors and our chief executive officer will oversee the compilation of our ESG report, and shall review the content and quality of the ESG report after the [REDACTED].

With respect to the management of environmental, social and climate-related issues, our Board of Directors recognizes the importance of shareholders’ expectations and involvement, therefore it endeavors to maintain an effective communication channel between shareholders and us. Our Board of Directors has assigned our chief executive officer to identify, monitor and assess material ESG issues, such as climate-related issues. Our Board of Directors then reviews the results from the assessment and conclude on the issues that we shall focus on.

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Impact of Environmental, Social and Climate-related Issues and Opportunities

We acknowledge that climate-related issues pose a certain level of threat to us. Actual and potential climate-related risks identified by us can be classified into two major categories: physical risk and transitional risk. We define physical risks as risks that potentially cause physical impact to us. We believe that climate-related issues may bring about the risk of increasingly severe extreme weather events, such as more frequent storms, typhoons and flooding. We may potentially be impacted by higher operation and maintenance cost, as well as more insurance premium payable for protection. The health and safety of employees may also be endangered.

Due to climate change and climate-related issues, consumers may shift their preferences for products and services, while regulators may require more extensive ESG-related disclosures. Such transitional risks result in additional operating expenses. For example, potential transition risk may arise from technological advancement which may increase our operating costs or affect the competitiveness of our services. With regard to increasing responsibilities on ESG-related disclosure, we may be impacted by increased cost to execute more stringent monitoring measures on pollutant emissions and resource consumption.

Identification, Assessment, Management and Mitigation of Environmental, Social and Climate-related Risks

Our Group conducts enterprise risk assessment at least once a year on current and potential risks faced by us in our business, including, but not limited to the risks related to ESG. In order to manage the environmental, social and climate-related risks, our Board of Directors will adhere to our established ESG policy and measures to tackle the risks identified during the enterprise risk assessment and minimize any potential risks inherent in our business operations.

We have put in place various mitigation and measures to prevent the risks from causing unnecessary impact on our operations. In particular, we have obtained internationally-recognized certifications with respect to our dedication in purchase, recycling, testing, resale and data destruction of used IT devices, such as ISO9001:2015, ISO14001:2015, OHSAS18001:2007, Responsible Recycling (R2) Rev. 7/2013 and GB/T 22080-2016 / ISO / IEC 27001:2013, to regulate and control various risks. We have placed great emphasis in assessing the marketability and conditions of de-commissioned devices before purchasing. Purchases for de-commissioned devices are required to be approved by our senior management team, who have extensive experience in the used electronics industry. We only purchase de-commissioned devices which are in the middle of their useful lives and can be either used in our device subscription business or sold, rather than being disposed of as scrap, the handling of which needs to be carried out by specialized environmental protection companies possessing the required qualifications and in accordance with the relevant PRC laws. Parts being replaced in the process of refurbishment can also be sold via our proprietary quotation platform, through which the purchasers can resell or reuse after repairing. Supervisors will also be assigned to monitor the refurbishment process to ensure the practices about responsible recycling are being complied with. We also regularly perform maintenance of our facilities, equipment and IT devices to minimize the risk of unmaintained facilities, equipment and IT devices causing damage to our office space, and the health and safety of employees and staff.

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To mitigate climate-related risks such as more frequent extreme weather conditions, we have put in place emergency plans against extreme weather conditions where employees and other personnel are notified promptly with any related measures.

Furthermore, we will consult professional parties whenever necessary to ensure compliance with evolving requirements on resource consumption disclosures, and regularly communicate with different stakeholders on their views on climate-related issues.

Metrics and Targets on Environmental, Social and Climate-related Risks

Major parameters and measurable metrics we use to assess and manage our environmental, social and climate-related risks include water consumption and electricity consumption. We typically do not generate electronic waste by ourselves from the disposal and refurbishment of IT devices or otherwise, as the de-commissioned devices we purchase are in the middle of their useful lives and can be either used in our device subscription business or sold via our proprietary quotation or e-commerce platforms, rather than being disposed of as scrap, the handling of which needs to be carried out by specialized environmental protection companies possessing the required qualifications and in accordance with the relevant PRC laws. Parts being replaced in the process of refurbishment can also be sold via our proprietary quotation platform, through which the purchasers can resell or reuse after repairing. These companies are required by the relevant PRC laws to obtain such environmental related qualifications. As a result, we did not generate any significant environmental compliance cost during the Track Record Period.

We have taken into account the quantitative information that reflect our management for environmental, social and climate-related risks, which includes resource consumption. We also have established a comprehensive set of key performance indicators (“KPIs”) to constrain and guide our business operations with a view of a sustainable development. The table below sets forth a quantitative presentation of our resource consumption during the Track Record Period.

	Year ended December 31,			Six months ended	
	2019	2020	2021	June 30,	2022
	(RMB)				
Water consumption	41,536	28,930	46,554	17,040	18,513
Electricity consumption	795,498	687,148	794,247	286,459	396,368

Our consumption on water and electricity generally increased during the Track Record Period, except that there was a decrease in 2020 which was due to COVID-19 subsidies provided by landlords as encouraged by the Shenzhen government, resulting in a reduction in water and electricity bills.

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We currently do not operate any manufacturing facilities and are not subject to significant environmental risks. As advised by CIC, the DLM solution providers hardly produce carbon and pollutant emissions in the ordinary course of business as their operations involve neither significant consumption of fossil fuels nor release of contaminants to the environment. In 2017, Chinese National Development and Reform Commission has listed eight industries as targets for carbon emission control, and the DLM market is not included in such list. Accordingly, there is no benchmark or industry average level of resource consumption and pollutant emissions for the comparison of our environmental performance with the industry peers. Therefore, we do not expect to incur any material liabilities or expenditures in these respects. As advised by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we were in compliance with all relevant ESG laws and regulations in material aspects. In addition, during the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, we had not been subject to any fines or other penalties due to non-compliance with environmental regulations.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, 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 “– 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.

See “– Employees – Social Insurance and Housing Provident Fund Contribution” and “– Land and Properties – Leased Properties” in this section for a description of 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.

RISK MANAGEMENT AND INTERNAL CONTROL

It is the responsibility of our Board to ensure that we maintain sound and effective internal controls and risk management system to safeguard our Shareholders’ investment and our assets at all times. We maintain internal manuals setting out operating procedures, internal control procedures and other policies and guidelines. We also adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as IT, financial reporting, compliance, and human resources.

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Our Board of Directors and our chief executive officer are responsible for the establishment, updating and implementation of our internal control policies and systems, while our senior management monitors the daily implementation of the internal control procedures and measures with respect to each subsidiaries and functional departments. As of the Latest Practicable Date, we employed more than 20 experienced risk management staff to operate and enforce our internal control and risk management policies.

Compliance Risk Management

In order to effectively manage our compliance and legal risk exposures, we have adopted strict internal procedures to ensure the compliance of our business operations with the applicable rules and regulations. In accordance with these procedures, our in-house legal department performs the basic function of reviewing and updating the form of contracts we enter into with our customers, partners, and suppliers. Our legal department examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations of business contracts and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

Our in-house legal department is responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities, within the prescribed regulatory timelines. We continuously improve our internal policies according to changes in laws, regulations and industry standards, and update internal templates for legal documents. We undertake compliance management over various aspects of our operations and employee activities. We have also established an accountability system in respect of employees' violations of laws, regulations and internal policies. In addition, we continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

In terms of anti-bribery and anti-corruption, we have implemented specific policies and internal control measures against corruption and bribery, which set forth procedures for identifying potential corruption, implementing relevant anti-corruption procedures and setting out anti-corruption responsibilities for relevant personnel. We strictly prohibit bribery or other improper payments in any of our business operations according to our anti-bribery and anti-corruption policies. This prohibition applies to all business activities, whether involving government officials, influential personnel or private or public payors. Improper payments prohibited by these policies include bribes, kickbacks, excessive gifts or entertainment, or any other payment made or offered to obtain an undue business advantage. Moreover, we keep accurate books and records that reflect transactions and asset dispositions in reasonable detail. We specifically require that the employees submit all reimbursement requests related to entertainment expenditure or gifts presented to third parties on behalf of the company in accordance with our anti-bribery and anti-corruption policies, and specifically record the reason for the expenditure. Any entertainment expenditure exceeding certain amount per person and any expenditure incurred for entertainment not related to business meetings must

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be approved in advance by our compliance officer. Payment made in violation of anti-bribery and anti-corruption policies is strictly prohibited. Our compliance department is responsible for investigating the reported incidents and taking appropriate measures as necessary. We provide employees with adequate communication channels and encourage employees to take the initiative to seek guidance from us regarding the implementation of anti-corruption policies. We conduct anti-corruption compliance check and inspections regularly on employees and senior personnel. We also have an employee code of conducts in place, which contains internal rules and guidelines regarding basic working rules, work ethics, confidentiality, negligence, anti-bribery and anti-corruption. We provide our employees with regular training and resources to explain the guidelines contained in the employee code of conducts.

Asset Security Risk Management

We are exposed to asset security risk with our device subscription services as customers may damage or lose our IT devices, or we are unable to reclaim actual control or possession of the IT devices. In 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022, we experienced 35, 683, 1,920, 652 and 1,293 incidents, respectively, of loss or damage to our devices from customers during the subscription period, who indemnified us of RMB0.02 million, RMB0.4 million, RMB1.2 million, RMB0.4 million and RMB0.6 million, respectively. We experienced an increase in the number of incidents of loss or damage to our devices from customers in 2021 due to a continued increase of our customers and growing numbers of devices for subscription in such year. See “Risk Factors – Risks Relating to Our Business and Industry – 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.” In order to mitigate the risk, we have developed a risk control system model that integrates an online intelligent credit profile review system and an offline manual assistance mechanism to assess customers’ credibility and potential risks. In specific, our risk management team manages our customers and assesses their credit risk through our online intelligent credit profile review system according to customers’ respective risk profiles, and only those who pass the risk assessment can enroll for our device subscription service. We also manually review the actual office address of our customers. When delivering and providing maintenance on IT devices to customers, we conduct on-site inspection to the customers’ office space in order to assess and manage the risks attributable to our customers, and decide whether to recover IT devices in advance when necessary. If the customer causes any loss or damage to our devices during the subscription period, we would take various measures, including claiming compensation and offering customers the option to buy out the lost or damaged device.

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Credit Risk Management

We are exposed to the credit risks associated with our DLM business. In order to mitigate the credit risks and ensure the collectability of trade and lease receivables in our transactions, we have delegated a team responsible for determination of credit limits and credit approvals, and have adopted credit risk measures to review and monitor our trade and lease receivables from time to time, including implementing security measures and monitoring procedures on customers. Before accepting any new customers, we use Bear Big Data Intelligent Credit Granting Platform, a proprietary software, to assess the creditworthiness of potential customers and determine their appropriate credit limits individually. The line of credit and scoring attributed to customers are reviewed regularly in order to effectively monitor our customers. These procedures are designed to provide us with the information needed to implement adjustments where necessary, and to take proactive corrective actions in time.

In addition, in order to manage our exposure to credit risk, we have adopted credit management policies and procedures that are reviewed and updated by our risk management team in conjunction with other relevant departments. We have adopted procedures to deal with material overdue payments, which include (i) close monitoring of material overdue payments; (ii) evaluation of the risk based on factors such as its payment history, and the general economic environment; and (iii) designing of appropriate follow-up actions such as making phone calls, issuing demand letters, visiting the customer’s office and initiating legal proceedings. However, we cannot assure that we are able to collect all trade and lease receivables. See “Risk Factors – Risks relating to Our Business and Industry – 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.”

IMPACT OF COVID-19 PANDEMIC

Since December 2019, a novel strain of COVID-19 has severely impacted China and many other countries. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. With an aim to containing the COVID-19 outbreak, the PRC government has imposed restricted measures across the PRC. Although many of the measures within China have been relaxed since the second quarter of 2020, restrictions were re-imposed in certain cities from time to time. Specifically, due to the prohibition of gathering, our short-term device subscription services for exhibitions and conferences and other business activities have been adversely impacted. At the same time, we grabbed the market opportunities for providing many companies with office computers and devices when their employees worked from home and had meetings at home. However, owing to the accelerated penetration of the overall DLM market during the COVID-19 pandemic and diversified service portfolio we provide, our business has not been adversely impacted by COVID-19 in all material aspects. Therefore, the impact of the COVID-19 on our revenue is not substantial.

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We have employed various measures to mitigate any impact the COVID-19 outbreak may have on our business in China, including, among others, temporary closure of our offices, remote working arrangements for our employees, and travel restrictions or suspension. We also provided our employees with protective equipment such as masks and hand sanitizers immediately after the outbreak, which had increased and may continue to increase our operations and support costs. In addition, our business operations could be disrupted if any of our employees is suspected of contracting COVID-19 or any other epidemic disease, since our employees could be quarantined, and our offices may have to be shut down for disinfection. However, there are significant uncertainties remained for the COVID-19 pandemic and the future development of the disease. For risks relating to potential future outbreak of COVID-19, see “Risk Factors – Risks Relating to Our Business and Industry – Any future occurrence of a natural disaster, health epidemic or similar development could have a material adverse effect on our business. In particular, the COVID-19 outbreak had and may continue to have a negative impact on our business, financial condition and results of operations.”