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OVERVIEW

Who We Are

We are a major office IT integrated solution provider in China, providing one-stop office IT services on a subscription basis to enterprise customers consisting mainly of SMEs. We mainly compete in the office IT integrated solution market, a fast-growing segment whose penetration rate in the enterprise office IT service market increased from 0.3% in 2017 to 3.3% in 2021, and is expected to further grow to 16.9% in 2026. We had a market share of 0.6% in the enterprise office IT service industry in terms of revenue in 2021, according to Frost & Sullivan. In 2021, we ranked first in the office IT integrated solution industry in China in terms of revenue, number of devices under service, and remanufacturing capacity, respectively, with a market share of 19.6% by revenue, according to the same source. Focusing on customers' IT experience, we provide office IT integrated solutions, covering (a) IT devices such as desktops, laptops and monitors, pre-installed with operating systems, selected software including, but not limited to, office suite, drivers, anti-virus programs, instant messengers and our self-developed office IT management tools such as printer auto-configuration programs, and (b) managed IT services, including device configuration, device/engineer deployment, operation and maintenance support, performance optimization, data migration, backup and erasing, and various device management services, such as order placement, subscription management, on-site inspection and bulk shipment of the devices, to address our customers' needs through all stages of the use of the devices. Under a managed IT service model, we retain the responsibility of operating the IT devices installed with systems and software, freeing our customers from managing their own office IT and enabling them to focus on core business operations. By subscribing to our pay-as-you-go office IT integrated solutions, an enterprise customer uses our office IT devices installed with systems and software and receives our broad technical support for ongoing operations. We have also developed a SaaS product, Ebandian, to meet customers' digitalization needs. Leveraging our nationwide service capability, self-developed Nebula system and industry-leading remanufacturing technology, we provide one-stop, stable and flexible services to help our customers maximize office IT uptime, improve efficiency, enhance employee productivity and drive business growth. As of December 31, 2022, we had approximately 42,000 subscribing enterprise customers and approximately 1.1 million devices under subscription.

Our Market Opportunity

The enterprise office IT service industry in China has strong growth potential. According to Frost & Sullivan, the number of SMEs in China grew rapidly from 30.3 million in 2017 to 48.8 million in 2021 at a CAGR of 12.6%, and is expected to reach 84.0 million in 2026 at a CAGR of 11.5% from 2021. Further driven by the accelerating digital transformation, the market size of enterprise office IT services increased from RMB146.6 billion in 2017 to RMB156.0 billion in 2021, and is expected to reach RMB213.9 billion in 2026.

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However, enterprises, especially SMEs, face long-standing pain points brought by the traditional office IT direct buyout mode under which they purchase office IT infrastructure for use. See "Industry Overview – Enterprise Office IT Service Industry – Overview."

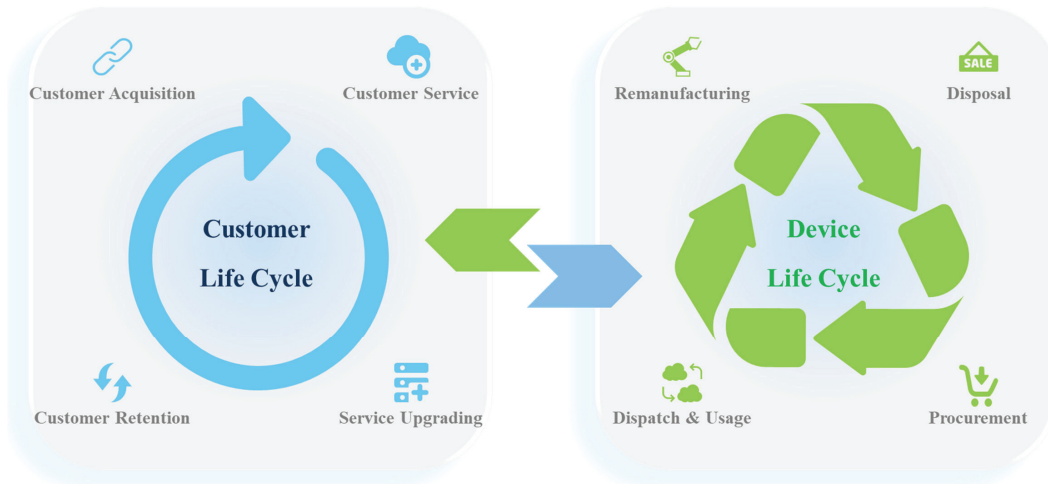
- SMEs in China usually have limited in-house IT operating capabilities to meet increasingly complex office IT needs.
- SMEs in China are usually unable to obtain sufficient external technical support from traditional IT service providers.
- In the absence of one-stop solution, enterprises may incur various hidden costs throughout the process of obtaining office IT services and often have to face inconsistent service quality.
- The traditional office IT direct buyout mode lacks flexibility, which leads to persistent redundancy caused by idle devices.

The usage-based office IT service mode refers to a more flexible service mode compared with the direct buyout mode. It meets the on-demand business operation needs of enterprises with a pricing based on actual usage of IT resources. Unlike the direct buyout mode, enterprises adopting the usage-based service mode usually do not own the office IT devices they use. The emergence of the usage-based office IT service mode has helped SMEs to address these long-standing pain points. As a result, the usage-based office IT industry is expected to reach RMB37.7 billion in 2026 with a CAGR of 40.2% from 2021 and become the fastest growing market segment of the enterprise office IT service industry. Nevertheless, according to Frost & Sullivan, the usage-based office IT industry is still in its early stage of development with a penetration rate of 3.2% in terms of the number of devices compared to 60.0% in the United States in 2021, demonstrating enormous growth potential.

Based on availability of managed IT services, the usage-based office IT industry can be further divided into device rental service segment and office IT integrated solution segment. In 2021, the market size of the office IT integrated solution industry in China represented 3.3% of the enterprise office IT service industry and 72.9% of the usage-based office IT industry in China, according to Frost & Sullivan. Traditional device rental services usually only offer basic maintenance services provided by PC brands for their leased devices. In contrast, office IT integrated solutions provide managed IT services that meet SMEs' needs for technical and operational support. Hence, it has gradually become a popular solution favored by enterprise customers, especially SMEs. We believe that we are well-positioned to capture enormous market opportunities with our innovative office IT integrated solutions and deep industry insight.

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Our Business Model



Our business model evolves from the integration of customer life cycle and device life cycle.

Customer life cycle represents our customer-oriented service proposition, which spans the whole process related to delivery of office IT integrated solutions to customers, from acquisition of enterprise customers who are in demand for office IT integrated solutions, to provision of stable and timely services including broad technical support for ongoing operations, upgrade of services, and customer retention. We engage with customers at each stage throughout the life cycle in provision of office IT integrated solutions to expand and cultivate our customer relationships, improve customer satisfaction, and ultimately drive business growth and profitability.

Device life cycle is crucial for enhancing our business profitability and sustainability. Focusing on the back-end architecture of our business, our device life cycle spans from procurement, dispatch and usage to remanufacturing and disposal of devices. Each stage is critical in terms of a device’s performance and life span. With our remanufacturing technologies, we can extend the service life of devices to, on average, two to three times their original life span, which greatly improves our operational efficiency and drives our profitability. Moreover, our competitive advantage in device circulation reduces waste and fulfills our commitment to environmentally friendly operations. Specifically, we enable our devices with extended service lives to be reused by multiple customers in succession, who may subscribe brand-new devices or used devices at their choice when placing the order.

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Our Value Proposition










We endeavor to make office IT easier and aim to become the go-to partner for enterprises for improved IT productivity and efficiency. We distinguish ourselves from our competitors by offering an integrated office IT service pack with the following benefits:



- **One-stop services:** Our office IT integrated solutions provide our customers with a one-stop office IT solution that delivers IT devices installed with systems and software as well as managed IT services. Our customers obtain bundled devices and broad technical support for ongoing operations, including device configuration, device/engineer deployment, operation and maintenance support, performance optimization, and device management services, such as order placement, subscription management, on-site inspection and bulk shipment of the devices, covering various services provided to our customers to address their needs through all stages of the use of the devices. Unlike traditional device rental service providers, whose service scope is limited to basic maintenance for leased hardware devices by engaging third parties, we offer software and system maintenance and data services through our own service team to meet the customer's expected service levels. Reaching out to us as a single point of contact responsible for all of our customers' office IT needs, our customers avoid the trouble of engaging multiple office IT suppliers. For example, a customer does not need to reach out to PC brands or distributors to purchase devices and then engage separate IT service providers for repair and maintenance or IT operation. In addition, our customers avoid hidden costs because our one-stop service process enables them to gain clear visibility into and predictability of their office IT spending. Through such one-stop, stable and flexible services, we help our customers maximize office IT uptime, save operating expenses, enhance employee productivity and drive business growth.
- **Reliability:** Under a managed IT service model, we have retained responsibility for the functionality of the IT devices installed with systems and software and services, and shifted the burden of maintaining office IT from our customers to us. Leveraging our nationwide service capability, we provide on-site technical support within optimal response time upon requests of our customers. We provide 24/7 IT support and assistance through remote help desk services to handle customers' daily requests from routine inspection to system upgrades. We have implemented quality control standards both internally and externally to enhance customer experience. We perform preliminary diagnostics on hardware issues during regular on-site visits to proactively address minor hardware issues before they escalate into expensive and unplanned outages, and thereby minimize office IT downtime.
- **Flexibility:** To meet our customers' fluctuating needs affected by constant employee turnover, we provide pay-as-you-go office IT integrated solutions in a subscription method where customers can adjust their subscription services on demand, without having to purchase their own devices, experience difficulties in recovering the residual value of the devices and incur excessive IT overheads.

We enjoy a number of competitive advantages over traditional device rental service providers, primarily in that (i) we offer broad technical support for ongoing operations to meet the customer's expected service levels; (ii) we offer other value-added services such as asset and device stock management tools and offerings of accessory packages. As such, our customers no longer need to operate the office IT devices on their own or procure additional service providers. Rather, our services meet the majority of their operational needs, offering more convenience and better customer experience.

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The table below sets forth differences between our office IT services and the traditional device rental service providers:

Items	Software and Service						Hardware		
	Software customization	System Diagnosis & Troubleshooting	Office Collaborative Solution	Cybersecurity Monitoring	Asset & device stock management	Online after-sale service	Offering of accessories packages	Hardware Configuration	Hardware Maintenance and Replacement
Integrated Solution Mode									
Sample References	Customized pre-installment service of most of office productivity and enterprise operation software (ERP etc.)	Mature capabilities of system & software running performance enhancement and operation optimization with on-site engineers	Mature capabilities of comprehensive office scenario IT service, such as remote meetings, virtual private network service and etc.	Offering of most of cybersecurity-mgt software and enterprise-based data management solutions (data storage, backup, transfer and etc.)	Mature SaaS product to deal with enterprise's daily device management	Professional after-sales service team with mature technical and business advisory capabilities	Offering of full set of office accessories, including printers, displays, cables, portable drives, tablets, projectors and etc, covering mainstream brands	Mature capabilities of hardware configuration and deployment, such as memory, graphics card, CPU, battery and etc.	Mature capabilities of hardware maintenance, such as memory, graphics card, CPU, battery and etc.
Traditional Rental									
Sample References	Offering of common office productivity software only (office suites, etc)	Commonly has no such professional service	Commonly has no such professional service	Commonly has no such professional service	Commonly has no such professional service	Very limited capabilities on technical Q&As	Offering of common accessories only, such as printers and cables, and only covering few brands	Limited hardware technical capabilities / mainly depends on other third-parties	Limited hardware technical capabilities / mainly depends on other third-parties

-  Not provided: commonly has no such professional service
-  Limited: only provides very few of such service / mainly depends on other third-party capabilities
-  Fair: provides a few of such services / has independent capabilities
-  Good: could provide most of such services / has mature independent capabilities to deal with customer-oriented requirements (if applicable)

Source: Frost & Sullivan

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Our Achievements

We are the largest office IT integrated solution provider in China in terms of revenue, number of devices under service and remanufacturing capacity, according to Frost & Sullivan. In 2021, we had a market share of 19.6% in the office IT integrated solution market in terms of revenue. We adopt the usage-based mode of enterprise office IT services, under which customers entrust us with device purchase, maintenance, and office IT-related value added services as a whole, eliminating the burden of commissioning different suppliers under the traditional office IT direct buyout mode.

We experienced rapid growth during the Track Record Period. As of December 31, 2020, 2021, and 2022, we had approximately 28,000, 38,000 and 42,000 subscribing enterprise customers, respectively, with approximately 0.8 million, 1.1 million and 1.1 million devices under subscription, respectively. For the year ended December 31, 2022, we achieved an NDRR of 101.6% for our overall business and an NDRR of 102.0% for our pay-as-you-go office IT integrated solutions, which has laid a solid foundation for our continued success.

With our growing customer base, our revenue increased by 45.6% from RMB813.1 million in 2020 to RMB1,183.7 million in 2021, further increased by 15.9% to RMB1,371.9 million in 2022. Our gross profit increased by 67.7% from RMB337.0 million in 2020 to RMB565.2 million in 2021, further increased by 10.9% to RMB626.5 million in 2022. Our gross profit margin increased from 41.4% in 2020 to 47.7% in 2021, and decreased to 45.7% for the year ended December 31, 2022. Our adjusted net loss (non-IFRS measure) amounted to RMB44.5 million in 2020. In 2021 and 2022, we achieved an adjusted net profit (non-IFRS measure) of RMB93.5 million and RMB135.2 million, respectively. See “Financial Information – Consolidated Statements of Profit or Loss – Non-IFRS measure – Adjusted Net Profit/(Loss).”

OUR STRENGTHS

We believe the following competitive advantages have contributed to our continued success in the industry:

The largest office IT integrated solution provider in China

We are a major office IT integrated solution provider in China. We are dedicated to continuous innovation and are committed to facilitating industry evolution with one-stop office IT solutions, which provide IT devices installed with systems and software as well as managed IT services for ongoing operations, including device configuration, device/engineer deployment, operation and maintenance support, performance optimization, and device management services, such as order placement, subscription management, on-site inspection and bulk shipment of the devices, covering various services provided to our customers to address their needs through all stages of the use of the devices. Traditional device rental service providers typically offer a very limited scope of basic maintenance services for their leased hardware devices, charged based on workload. Due to their reliance on engagement of third parties such as PC brands after-sales service network, traditional device rental service providers are generally unable to carry out software and system maintenance services or data services. Under our managed IT service model, we are responsible for optimizing the

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functionality of IT devices through our quality services, and are committed to meet our customers' expected performance level. We offer service pack on subscription basis at a predetermined price, shifting the burden of maintaining office IT from our customers to us. In addition, serving a single point of contact responsible for all of our customers' office IT needs, we allow our customers to avoid the trouble of engaging multiple office IT suppliers under traditional device rental service. Our customers can better focus their efforts on business operations without being distracted on daily IT maintenance tasks to meet the needs of enterprises for productivity and efficiency of office IT operations. Furthermore, our customers avoid hidden costs because our one-stop service process enables them to gain clear visibility into and predictability of their office IT spending. We provide customers with office IT integrated solutions via a subscription method, which has innovatively solved the long-standing pain points in the industry. Our office IT integrated solutions evolve around customer life cycle to provide outstanding customer experience, with our back-end business operations evolving around device life cycle to improve our profitability. In terms of customer life cycle, we expand our customer base through our customer-oriented sales strategy and high-quality customer service to achieve continual revenue growth. In terms of device life cycle, we maximize office IT uptime, maintain competitive cost advantage and drive business profitability.

As a major market player in the usage-based office IT industry with a well-established reputation, we are the go-to-partner of enterprises, thereby capturing the enormous growth potential by effectively acquiring new customers and cultivating long-term relationships with our existing customers.

High customer retention contributing to revenue growth visibility

We are dedicated to improving customer satisfaction through our broad service offerings, timely customer service and systematic quality control, which in turn could expand our customer reach, cultivate our relationships with existing customers and increase our customer stickiness. Customers are able to enjoy streamlined services with customized solutions and optimal service level. Our effective customer retention is underpinned by our devotion to customer satisfaction. We have achieved high customer retention with an NDRR of 110.6%, 128.5% and 101.6% in 2020, 2021 and 2022, respectively.

- *Broad service offerings.* We distinguish ourselves from traditional service providers by offering a one-stop office IT solution that delivers IT devices installed with systems and software as well as managed IT services. Our customers obtain bundled devices and broad technical support for ongoing operations, including device configuration, device/engineer deployment, operation and maintenance support, performance optimization, and device management services, such as order placement, subscription management, on-site inspection and bulk shipment of the devices, covering various services provided to our customers to address their needs through all stages of the use of the devices. To provide better customer experience and meet customers' evolving needs, we have continually enriched the content of the ongoing office IT operation and maintenance services contained within our customers' office IT integrated solution packs, such as remote monitoring and self-service office IT management tools.

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- *Timely customer service.* Our nationwide service capability enables us to provide stable and timely technical support, which ensures the stability and functionality of our customers' daily operations. We provide services through remote support within an optimal response time of 30 minutes and on-site support within an optimal response time ranging from two to four hours, as compared to traditional service providers, including PC brands, distributors and IT device rental companies. For example, according to Frost & Sullivan, our response time in our core markets including Beijing, Shanghai and Shenzhen is about ten times faster than industry average. In addition, in order to meet the more complicated needs of some enterprise customers for office IT, we established a customer success department to provide timely and tailored customer service to further enhance customer satisfaction and loyalty.
- *Systematic quality control.* We believe the quality of our office IT integrated solutions is one of our core strengths and is vital to our business. We have formulated and implemented quality control standards both internally and externally throughout our service cycle to improve customer satisfaction and enhance brand recognition. We ensure the quality of our services through quality control system, regular collection of customer reviews, and quality check conducted by experts at multiple check points throughout the service process.

Industry-leading remanufacturing capability

We owned the only PC remanufacturing factory network in China that had a production capability for over 600,000 devices in a year, according to Frost & Sullivan. Our core remanufacturing factory locates in Wuhan, while we also set up four other facilities in Beijing, Shanghai, Shenzhen and Chengdu in sync with our expansion of customer reach. Our industry-leading remanufacturing technology has largely enhanced device utilization through extending the service life of devices from an average of three years to an average of seven to ten years, achieving scalability and profitability. Leveraging our remanufacturing facilities that have been operating for more than 15 years, we have adopted the use of various devices and technologies, including software systems, hardware devices for batch inspection, quick refurbishment tools, as well as innovative refurbishment technology, to improve the efficiency of remanufacturing while maintaining the appearance and performance of the device at the same time. Our innovative remanufacturing technology has the following features:

- **Efficient production through standardized remanufacturing process:** Differentiated from the traditional mass production of new devices where the assembly line predominates, the challenges in standardizing the remanufacturing process lie in the identification of the specific issue and corresponding remanufacturing procedure for each device. We transformed a non-standard remanufacturing process by incorporating a set of standard protocols covering device diagnosis, refurbishment and testing. Leveraging our standardized remanufacturing process, we are able to achieve greater production output. In 2021, we remanufactured over 600,000 devices. Furthermore, with the assistance of

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automatic testing technology, we can realize automatic batch testing of devices and precisely locate problems, which greatly improves efficiency. Our average remanufacturing time in the Track Record Period was less than ten days, while the process of device repair or replacement under traditional IT service providers warranty services is usually twice as long as that, according to Frost & Sullivan.

- **Low cost through chip-level repair:** With our chip-level repair capability, instead of replacing the whole malfunctioning component as commonly done by traditional IT service providers, we take the component apart and replace only the faulty unit as necessary. Our average cost of remanufacturing in the Track Record Period was below RMB100 per device.
- **The long-term know-how created by extensive industry experience:** Through our extensive industry experience, we are able to accumulate know-how and gain insights into the key elements in the long and complex value chain of office IT service industry. We develop a competitive advantage through high-quality customer-oriented services supported by efficient back-end architecture, rich experience in large-scale device operations and expertise in remanufacturing technology, such as chip-level repair capability.

Efficient self-developed operation system

Our self-developed Nebula system is the foundation and driving force of our business, connecting our operations from front-end to back-end, through which we provide our customers with broad services, including device configuration, device/engineer deployment, operation and maintenance support, performance optimization, and device management services, such as order placement, subscription management, on-site inspection and bulk shipment of the devices. We have developed our proprietary infrastructure to address the challenges from complex business operations. Through our proprietary infrastructure, we are able to manage devices on a large scale efficiently, provide a tailored and timely customer service, and enhance our business functionality. Our Nebula system provides us with competitive advantages to maintain our market position in the following ways:

- **Tailored and timely customer service:** Our customer-oriented Nebula system allows us to provide tailored and timely customer service, enhance sales force efficiency and increase customer satisfaction. For example, the CRM function of our Nebula system allows us to provide tailored services by generating individualized customer portraits and automatically reminds our sales team to revisit customers. To enhance our service responsiveness, the service capability function of our Nebula system leverages its automatic matching algorithm to dispatch engineers efficiently.
- **Efficient device management:** Our self-developed Nebula system allows us to efficiently manage our devices on a large scale, from device dispatch and return, through storage to device disposal. The capacity planning function of our Nebula system is able to predict future demands for devices and the number of renewals and returns, and increases or

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decreases of subscriptions, enabling us to predict the trend of future orders in advance and adjust device volume if necessary. The visualization function of our Nebula system covers the device management throughout device life cycle by generating individual asset cards that allow real-time tracking of device, and dispatching millions of devices in a cost-efficient manner. Furthermore, with our well-established online bidding platform, Epaiji (易拍機), we are able to optimize our device portfolio by disposing of devices at commercially favorable prices.

Experienced management team with deep market insight

We believe that our success depends on the outstanding performance of our management team. Dr. Ji, our co-founder, Chairman, and Chief Executive Officer, has been responsible for our company’s overall strategic planning since our inception in 2014. Dr. Ji has more than 15 years’ experience in the office IT industry. Prior to founding our company, Dr. Ji founded Beijing Huaqing Tianxia Technology Co., Ltd. (北京華清天下科技有限公司) in 2005, which operated the platform of SKS Boutique Laptop (SKS精品筆記本), a well-known pre-owned computer retail and service platform in China. In 2007, he founded a remanufacturing factory in Wuhan province, which was the predecessor of our present remanufacturing facilities. Based on his industry experience, Dr. Ji identified SMEs’ demand for more flexible and cost-effective office IT services, and in turn founded our company in 2014 to capture the strong growth opportunities. Mr. Zhang Bin, our co-founder and Chief Operating Officer since 2015, has extensive experience in financial industry and risk management. He provides fundamental guidance to our company in aspects including shaping our unique business model such as pricing model, risk control and financing activities.

Our core management team has an average of over ten years of experience in the technology industry. We believe that our core management’s outstanding management capabilities and abundant industry experience enable them to contribute a wealth of industry know-how to our business operations, implement successful business strategy, and capture market opportunities to achieve our long-term success.

OUR STRATEGIES

To fulfill our mission and further strengthen our market position, we will pursue the following strategies:

Expanding customer base and improving market penetration

We aim to leverage our well-established reputation and extensive sales network to further expand our customer base. We will continue to expand our sales network to better acquire customers across the country and adopt a new customer go-to strategy to increase market penetration. Under the new customer go-to strategy, we divide a target city market into smaller units considering both existing geographical boundaries and the density of potential enterprise customers. We then assign an individual salesperson to each unit and such salesperson is responsible for all customers in such area.

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We also plan to continuously build up our dependable and trustworthy brand image through branding and marketing activities, and expand our customer success team to provide more high-quality services. We aim to continually cultivating long-term and stable relationships with customers and increasing customer stickiness.

Enriching service offerings and promoting service innovation

Leveraging our deep industry insight, we will continually optimize our service offerings within our service pack to satisfy evolving customer needs. We have been analyzing the pain points of SMEs in office IT through in-depth customer interaction. Based on such understanding of customer demands, we will continue to improve our service quality and service innovation to always stay one step ahead of our customers' increasingly sophisticated IT needs created by growing business complexity. We will also enhance our research and development capabilities to expand our software service offerings such as data migration and office IT management tools, and hardware service offerings such as local hardware virtualization.

Enhancing our remanufacturing capability

We believe technological advancement and innovation are critical for reinforcing our competitive advantages. We will continue to develop our remanufacturing technologies to improve operational efficiency. For our remanufacturing technology, we will continue to upgrade and develop our automatic testing technologies to reduce manual errors and better detect the cause of device failures. We will also develop new technologies and standardized protocols to be incorporated into our remanufacturing process to improve our remanufacturing capability. We also plan to form a hardware research and development business unit to focus on the development of innovative automatic testing devices and remanufacturing devices to better support our remanufacturing process.

Expanding our SaaS product offerings

We will continue to enhance our capability in developing SaaS products. We plan to increase our investment in technology innovation and product development to introduce more SaaS products that cover more scenarios within our customers' office IT environment. In particular, we intend to continually increase the penetration of our SaaS products within our solid existing customer base through cross-sales, which will not only drive the growth of our SaaS products in a cost-effective manner but also strengthen our relationships with existing customers and increase wallet share. Furthermore, we also plan to develop our SaaS distribution business by partnering with third-party vendors and bringing our customers a smooth SaaS experience.

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Focusing on customers' IT experience, we provide office IT integrated solutions covering IT devices installed with systems and software as well as managed IT services. By providing one-stop, stable and flexible services, we help our customers maximize office IT uptime, save operating expenses, enhance enterprise productivity and drive business growth.

The following table sets forth a breakdown of our revenue by segment for the periods indicated:

	For the year ended December 31,					
	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Pay-as-you-go office IT integrated solutions	643,345	79.1	997,895	84.3	1,165,159	84.9
Sales of devices	157,255	19.3	172,661	14.6	193,461	14.1
SaaS and other services	12,548	1.6	13,193	1.1	13,269	1.0
	<u>813,148</u>	<u>100.0</u>	<u>1,183,749</u>	<u>100.0</u>	<u>1,371,889</u>	<u>100.0</u>

Key Operating Data

The following tables set forth certain of our key operating metrics for the periods specified:

	As of December 31,		
	2020	2021	2022
Number of active customers⁽¹⁾	28,655	38,774	43,313
– Number of subscribing customers ⁽²⁾	27,975	37,966	42,343
– Number of non-subscribing customers who purchased device(s) in installments ⁽³⁾	680	808	970
Number of SaaS customers	1,694	2,065	2,060
Number of devices under service	798,145	1,121,744	1,115,468
– Number of devices under subscription	755,166	1,077,345	1,092,857
– Number of devices under installment purchase	42,979	44,399	22,611

	For the year ended December 31,		
	2020	2021	2022
Subscription fee per subscribing customer <i>(RMB)</i> ⁽⁴⁾	22,997	26,284	27,517
– Customer retention rate ⁽⁵⁾	72%	71%	73%
– Percentage of customers terminating subscriptions in advance ⁽⁶⁾	27%	26%	23%
Number of devices sold	100,293	109,786	177,360
Number of remanufactured devices ⁽⁷⁾	462,491	608,461	739,743

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	For the year ended December 31,		
	2020	2021	2022
NDRR ⁽⁸⁾	110.6%	128.5%	101.6%
NDRR ⁽⁸⁾ for pay-as-you-go office IT integrated solutions	111.1%	130.5%	102.0%

Notes:

- (1) The number of active customers as of the end of a month is calculated as the number of customers who have made payments during the month, substantially all of whom are customers of our pay-as-you-go office IT integrated solutions.
- (2) The number of subscribing customers includes 2,626, 3,037 and 2,062 subscribing customers who also purchased devices in installments and had not completed full payments as of December 31, 2020, 2021, and 2022, respectively.
- (3) The number of non-subscribing customers who purchased devices in installments represents non-subscribing customers who had purchased our devices in installments and had not completed full payments as of December 31, 2020, 2021, and 2022.
- (4) The subscription fee per subscribing customer is calculated by dividing our revenue from pay-as-you-go office IT integrated solutions in the respective period by the number of subscribing customers in the respective period. We experienced increase in subscription fee per subscribing customer from 2020 to 2021 primarily due to (i) an increase in NDRR, (ii) an increase in number of devices each subscribing customer subscribed to on average, and (iii) an increase in the percentage of our devices which generally charge with higher subscription fee.
- (5) The customer retention rate is calculated by dividing the number of original subscribing customers at the end of the period by the number of subscribing customers at the beginning of the period. The number of subscribing customers at the beginning of the period minus the number of customers whose subscription terminated/expired is the number of original subscribing customers at the end of the period.
- (6) Percentage of customers terminating subscription in advance is calculated by dividing the number of customers terminating subscription in advance by the number of subscribing customers at the beginning of the period. In 2020, 2021, and 2022, the number of customers terminating subscription in advance was 5,703, 7,311 and 8,864, respectively.
- (7) The number of remanufactured devices in a period represents the total production volume of our remanufacturing factory network during the same period. The increase of the number of remanufactured devices during the Track Record Period was primarily due to the increasing need for remanufacturing of the devices, as a growing number of devices were procured and utilized to meet customer demand driven up by our enlarged customer base and business expansion.
- (8) Net dollar retention rate, a metric used to measure a company's customer retention. We experienced a decrease in NDRR and NDRR for pay-as-you-go office IT integrated solutions in 2022 primarily because although our customers largely maintained business relationship with us, growth in demands from our customers was moderated during the same year, primarily in relation to such customers' lowered rate of business growth or even downsized workforce. In 2020, 2021 and 2022, we had a customer retention rate of 72%, 71% and 73%.

$$\text{NDRR in Year N} = \frac{\text{Revenue in Year N generated from customers retained from Year (N - 1)}}{\text{Revenue in Year (N - 1) generated from customers in Year (N - 1)}}$$

When Year N refers to a certain year, Year (N-1) refers to the immediately preceding year.

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During the Track Record Period, our subscription fee typically ranges from RMB60 to RMB1,007 per month and our annual service fee for our SaaS product, Ebandian, ranges from RMB1,280 to RMB13,980. During the Track Record Period, the average sales value of our devices was RMB1,568, RMB1,573 and RMB1,032 in 2020, 2021 and 2022, respectively. The average sales value of our devices decreased during the Track Record Period was primarily because (i) we encouraged our existing customers for installment sales to switch to pay-as-you-go office IT integrated solution subscription; and (ii) we strategically expanded sales of surplus or less popular devices through Epaiji platform to improve operational efficiency. We have the ability to optimize our device portfolio by disposing of devices at commercially favorable prices through our online bidding platform, Epaiji, which in turn lowers the volume of idle devices and increases our device utilization and operational efficiency. In 2020, 2021 and 2022, the utilization rate of our devices was approximately 89%, 92% and 91%, respectively.

The following table illustrates the movement of number of our subscribing customers, all of whom were enterprise customers, during the Track Record Period:

	For the year ended December 31,		
	2020	2021	2022
Number of subscribing customers at the beginning of the period	21,466	27,975	37,966
Number of new subscribing customers	12,577	18,089	14,709
Number of customers whose subscription terminated/expired	6,068	8,098	10,332
Number of subscribing customers at the end of the period	27,975	37,966	42,343

The following table illustrates the movement of number of devices under subscription during the Track Record Period:

	For the year ended December 31,		
	2020	2021	2022
Number of devices under subscription at the beginning of the period	553,546	755,166	1,077,345
Number of devices with initiated subscription ⁽¹⁾	495,248	700,937	554,686
Number of devices with discontinued subscription ⁽²⁾	293,628	378,758	539,174
Number of devices under subscription at the end of the period	755,166	1,077,345	1,092,857

Notes:

- (1) Devices with initiated subscription include devices that are under subscription initiated by either new or existing customers.
- (2) Devices with discontinued subscription refer to all devices returned to us due to either expiry or termination of subscriptions, including such situations where customers terminated subscriptions but subsequently initiated new subscriptions to, for example, swap or upgrade devices, while our subscription base remained unchanged.

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The following table sets forth the production volume of our remanufacturing plants during the Track Record Period:

	For the year ended December 31,		
	2020	2021	2022
Wuhan remanufacturing plant	199,511	280,391	304,726
Beijing remanufacturing plant	132,216	132,689	133,483
Shanghai remanufacturing plant	77,279	89,916	118,024
Shenzhen remanufacturing plant	53,485	76,989	111,177
Chengdu remanufacturing plant ⁽¹⁾	–	28,476	72,333
Total number of remanufactured devices	462,491	608,461	739,743

Note:

(1) Our Chengdu remanufacturing plant was opened in 2021.

We purchase new IT hardware and devices for providing our service provision. In 2020, 2021, and 2022, the number of devices under subscription with service life under one year was 245,602, 365,369 and 139,317 respectively, accounted for 32.5%, 33.9% and 12.7% of total devices under subscription during the same period. The following table sets forth the average service life and remaining service life of our IT devices by categories during the Track Record Period:

	As of December 31,		
	2020	2021	2022
	<i>(years)</i>		
Laptop			
– Average service life	3.1	2.8	2.9
– Remaining service life ⁽¹⁾	5.4	5.7	5.6
Monitor			
– Average service life	1.5	1.8	2.4
– Remaining service life ⁽¹⁾	7.0	6.7	6.1
Desktop			
– Average service life	1.5	1.8	2.5
– Remaining service life ⁽¹⁾	7.0	6.7	6.0
Others⁽²⁾			
– Average service life	1.7	1.6	2.1
– Remaining service life ⁽³⁾	4.5	4.3	3.8

Note:

(1) For the purpose of this table, the expected service life for all devices are calculated as 8.5 years, being the average of seven to ten years. For used device, the start point of its service life is based on the device activation time indicated by its device serial number, or the launch date of such device if the activation time cannot be ascertained.

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- (2) Others mainly include all-in-one PCs, workstations, tablets, mobile phones, printers and other computer accessories or electronic devices.
- (3) The remaining service life of other types of IT devices is equal to the expected service life of each type of device minus the average service life. For the purpose of this table, the expected service life of other types of IT devices is calculated as two, five and seven years, respectively, depending on the type of device.

The following table sets forth a breakdown of the remaining subscription contracts for pay-as-you-go office IT integrated solutions and SaaS products based on the billing date:

As of December 31, 2022				
	Pay-as-you-go office IT integrated solutions		SaaS products	
	<i>(RMB in millions)</i>	<i>(%)</i>	<i>(RMB in millions)</i>	<i>(%)</i>
Latest billing date:				
Within one year	90.7	4.5%	1.0	14.8%
Over one year but within two years	584.1	29.0%	2.6	38.9%
Over two years	1,339.8	66.5%	3.1	46.2%
Total	<u>2,014.6</u>	<u>100.0%</u>	<u>6.7</u>	<u>100.0%</u>

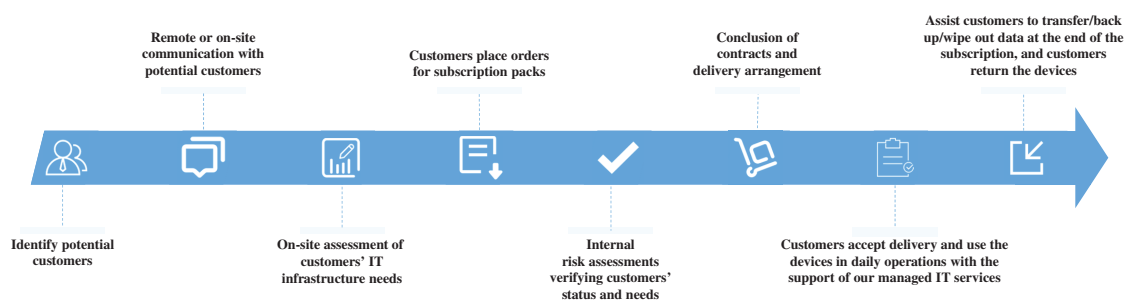
Note:

- (1) The above breakdown is calculated based on the subscription terms in effect as of the date indicated, which are subject to early termination and renewal of customers’ contracts. See “Risk Factors – Risks Relating to Our Business and Industry – Our customers may terminate the subscription early.”

Our Business Flows

Business flow of our office IT integrated solutions

The following diagram illustrates the operational process of our office IT integrated solutions:



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The operational process of our office IT integrated solutions includes the following steps:

- *Identify potential customers:* Our salespeople identify potential customers primarily through word-of mouth referrals by our existing customers, as well as online and offline marketing campaigns.
- *Remote or on-site communication with potential customers:* We communicate with potential customers through our sales team either remotely or through on-site visits.
- *On-site assessment of customers' needs:* We conduct on-site assessment of customers' needs for IT devices installed with systems and software through our sales team, customer success team and engineers.
- *Customers place orders for subscription packs:* Customers place orders for subscription packs with subscription term on a monthly basis, usually ranging from one month to three years.
- *Internal risk assessments verifying customer's status and needs:* We conduct internal risk assessments verifying a customer's status including business registration number, address, location and information on key management personnel as well as their needs.
- *Conclusion of contracts and delivery arrangements:* We sign contracts with customers and arrange delivery of the devices.
- *Customers accept delivery and use the devices in daily operations with the support of our managed IT services:* Customers inspect and accept delivery and use the devices during daily operations with the support of our managed IT services.
- *Assist customers to transfer/back up/wipe out data at the end of the subscription, and customers return the devices:* Customers return the devices at the end of the subscription and we offer on-site return services to those customers who have a large number of devices under subscription, from on-site device inspection to bulk shipment. Such services are contained in our subscription packages and we do not charge customers based on different elements of our services.

Business flow of our sales of devices

We offer customers the opportunity to purchase our devices. The operational process for sales of our devices includes the following steps:

- *Customers initiate request to purchase devices:* Our existing subscribing customers initiate the requests to our salespeople or customer success team to buy out their devices in-use, or new or existing customers initiate the requests to our salespeople or customer success team to purchase our devices directly.

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- *Conclusion of contracts:* We sign contracts with customers.
- *Delivery arrangement and customers accept delivery:* For the customers who are not buying out the devices already in their possession, we arrange delivery of the devices and customer inspect and accept delivery.
- *Customers use the devices in daily operations with the support of our managed IT services:* Customers who purchase in installments use the devices during daily operation with the support of our managed IT services, as at the point the devices delivered to customers, the sales of installment of devices are recognized.

In addition, we also sell pre-owned devices at commercially favorable prices through our online bidding platform, Epaiji. The operational process for sales of our devices on Epaiji includes the following steps:

- *Classification of surplus devices:* We first sort our surplus devices into different categories, such as laptops, desktops, and device components.
- *Post device information with an opening bid:* We post the information of such devices on our platform with an opening bid.
- *Determine buying customer through bidding process:* After several bidding rounds with multiple participants, the customer offering the highest bid wins and receives the devices at the second highest bid price.
- *Conclusion of contracts and delivery arrangements:* We sign contracts with the customers and arrange delivery of the devices.

Business flow of our SaaS and other services

The operational process of our SaaS includes the following steps:

- *Identify potential customers:* Our salespeople identify potential customers.
- *Remote or on-site communication with potential customers:* We communicate with potential customers through our sales team either remotely or through on-site visits.
- *Conclusion of contracts:* We sign contracts with customers.
- *On-site product knowledge training:* We provide product knowledge training sessions to the subscribing customers.

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Our Office IT integrated Solutions

In 2015, we started our office IT integrated solutions, which is the primary revenue-generator of our business. As of December 31, 2022, we had served approximately 42,000 subscribing enterprise customers across 31 provinces, municipalities and autonomous regions in China.

We provide office IT integrated solutions focusing on customer experience. Our office IT integrated solutions are provided in subscription packs that deliver IT devices installed with systems and software as well as managed IT services. Our customers obtain bundled devices and broad technical support for ongoing operations, including device configuration, device/engineer deployment, operation and maintenance support, performance optimization, and device management services, such as order placement, subscription management, on-site inspection and bulk shipment of the devices, on subscription basis.

We provide an array of IT hardware and devices for the use of our customers' employee at work, such as desktops, laptops and monitors. Most of the IT hardware and devices provided are purchased from PC and other hardware brands. We also acquire a percentage of devices from third parties through finance leasing arrangements, where we have right of use but do not own the devices before completing the relevant finance leasing agreements. Pursuant to relevant finance leasing agreements with our lessors, we can typically upgrade the leased-in devices, subject to notifying or obtaining consent from the lessors. We obtain the ownership of such devices at the end of the term of such agreements after we fulfill our relevant obligations. During the Track Record Period, we complied with the terms of agreements with these lessors in all material respects.

In addition to the IT hardware and devices we provide, we also provide managed IT services for customers during daily operations. Our broad services help customers save time and energy in engaging multiple third-party service providers, or overheads related to maintaining an in-house IT team. Instead, they can enjoy optimal response time and high-quality services provided by our engineers. For customers with high maintenance demand, we provide convenient in-house technical support by engineers through our residency services.

In 2020, 2021 and 2022, our revenue from pay-as-you-go office IT integrated solutions was RMB643.3 million, RMB997.9 million and RMB1,165.2 million, respectively. We had 755,166, 1,077,345 and 1,092,857 devices under subscription as of December 31, 2020, 2021, and 2022, respectively. The average revenue generated per device under subscription was RMB983.2, RMB1,089.1 and RMB1,073.8 in the respective periods, calculated by dividing the revenue from pay-as-you-go office IT integrated solutions in the respective year with the average of the opening and ending numbers of devices under subscription in the respective year.

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Pay-as-you-go subscription

Our office IT integrated solutions are provided to our customers under a pay-as-you-go subscription method. The pay-as-you-go subscription method is a flexible arrangement through which we provide hardware and handle device configuration, device/engineer deployment, operation and maintenance support, performance optimization, and life cycle management services, all under one service pack. We provide the office IT devices and services in a bundle under the pay-as-you-go subscription segment, and customers cannot only opt for device rental. The subscription provided by us is not classified as a finance lease, because the risks and rewards incidental to ownership of the underlying device are not substantially transferred to the customer.

Our pay-as-you-go office IT integrated solutions afford customers the freedom of subscribing to our services for a flexible term at a monthly fee and terminating on demand (subject to certain service charges if the subscription is terminated within six months). Under our pay-as-you-go office IT integrated solutions, deposits are usually waived as long as the customers provide the required information and pass our internal risk assessment. This subscription method can satisfy the fluctuating needs in IT devices of many enterprises affected by high employee turnover in a competitive market. To meet daily operational needs and cope with employment fluctuations, companies typically are forced to purchase or lease devices based on their projections of peak demand, resulting in a large number of idle devices during the remainder of the business cycle. Our pay-as-you-go office IT integrated solutions aim to address this pain point. Customers subscribing to our services in the pay-as-you-go subscription method do not need to spend much time and energy building up and maintaining their own in-house IT system, and thus are able to focus on business outcomes and reduce operational complexity.

We first conduct an on-site evaluation to determine the number of devices and configuration requirements for a customer's IT system and provide professional advice on selecting the most suitable subscription pack. We provide our customers with a one-stop experience from placing orders to tracking and managing their subscriptions, which can be achieved offline through our sales team or customer success team, as well as online through our self-operated customer portal or our official website. We also offer our customers some options to configure their personal computers or laptops with their choice of central processing unit (CPU), screen size, memory, storage and other key components. Once an order is placed, our Nebula system, with its finance function, checks the customer's credit standing for the order; this requirement varies depending on whether the customer pays upfront or upon delivery. Once the credit standing is found to be satisfactory, the order is automatically synchronized to our warehouses, using the ERP function of our Nebula system, for packing and shipping devices. After the devices have been shipped, our system receives a tracking record of shipment and delivery notification. Billing commences after the delivery is signed off and accepted by the receiving customer.

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We determine the subscription fees by first calculating the subscription rates, taking into account factors including (i) target profit margin, which varies with the types of devices, (ii) residual value, estimated based on the historical experience of the useful lives and related depreciation of the devices, as well as the market price of similar pre-owned devices on major online platforms, (iii) risk control costs, mainly including labor costs based on time spent and personnel engaged in the risk control process, and (iv) other factors such as purchase price, financing costs, subscription period before selling, payment method, and operating costs (device delivery, customer service and remanufacturing). Our determination of subscription fees is independent from whether the device has been remanufactured. We subsequently adjust the calculated subscription rates according to market demand and market price, including the rental rates of devices with similar configurations and the purchase price of comparable devices.

In addition, in exchange for a discount in subscription fees, customers may also choose to subscribe for a longer term ranging from one year to three years with upfront payment options, and may receive refunds (subject to certain service charges) calculated based on the remaining term in the event of an early termination.

The key terms of subscription agreements generally include:

- *Subscription term.* Customers place orders with subscription term on a monthly basis, usually ranging from one month to three years.
- *Subscription fee.* Our subscription fee typically ranges from RMB64 to RMB1,048 per device per month. Subscription fee may decrease as the service life of the device increases. We charge our customers a subscription fee based on the actual usage on a monthly basis. We bill our customers for the number and type of devices subscribed for the month. We may also calculate the subscription fee on a pro rata basis if the actual usage of the subscribed device does not reach one month in the event of early termination. See “– Termination.”
- *Subscription deposits.* We typically require an original deposit ranging from RMB1,200 to RMB26,100, calculated based on the book value of the devices selected by our customers. We assign each customer a credit score based on our assessment of the customer’s creditworthiness. We perform ongoing credit evaluation of financial conditions for both our new and existing customers. For new customers, we perform a credit evaluation when we conduct on-site assessments of customers, conduct risk assessments verifying customers’ status, and sign contracts with customers. For existing customers, we perform credit evaluation and make necessary impairment provision from time to time, or when certain high-risk signals, such as payment overdue, arise. See “– Risk Management and Internal Control – Credit Risk Management.” For customers whose credit scores are higher than zero, we usually waive all deposits. For customers who have negative credit scores, although we do not waive their deposits in full, we usually waive the deposits by a percentage ranging from 30% to 50%.

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- *Payment term.* We generally require one month's payment in advance. For the customers whose deposits are fully or partially waived, we generally require first month's payment being made upon delivery of devices. For customers whose deposits are not waived, we generally require deposits and first month's payment being made before delivery of devices. We may adjust payment frequency according to such customers' specific needs. We also dynamically adjust the payment terms according to changes in customers' credit scores.
- *Payment schedule.* Monthly payments are automatically withdrawn on the payment dates from the customers' accounts registered through our official website. If the balance in an account is insufficient to fulfill any payment obligation, we are entitled to charge a late payment fee on a daily basis and/or freeze such customer's account. One-time payments shall be made to our designated accounts within the time periods specified in the agreements.
- *Customers' obligations.* Customers shall use the devices under service properly and return them on time in good operating condition. Customers are not allowed to change, repair or add additional units or components to the devices under service without our permission.
- *Our obligations.* We should deliver devices to customers in good operating condition and provide operation and maintenance services throughout the subscription.
- *Product liability.* We do not assume any joint and several liability arising from the customers' use of the devices under service, including, but not limited to, personal injury, property damage, intellectual property infringement and damage to third parties.
- *Termination.* Customers may terminate their subscription at will. We do not require a notice period for early termination. See "Risk Factors – Risks Relating to Our Business and Industry – Our customers may terminate the subscription early." The table below sets forth our service fee and account balance settlement policy in the event of early termination if customers decide to terminate their subscription before the end of their original subscription term.

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	Pay-as-you-go with monthly payment	Pay-as-you-go with prepayment
Actual usage less than 3 months	Customers are charged an amount which equals the subscription fee for three months plus the subscription fee based on the actual usage months, covering the costs for subscription and termination. For example, customers who want to terminate a two-year subscription pack after subscription for two months will be charged an amount which equals the subscription fee for five months. If the actual usage is less than one month, the subscription fee is calculated on a pro rata basis. See "– Subscription fee." For example, customers who want to terminate a two-month subscription pack after subscription for two weeks will be charged an amount which equals the subscription fee for 3.5 months.	After we deduct the amount which equals the subscription fee for three months plus the subscription fee based on the actual usage months, customers are refunded the remaining subscription fee.
Actual usage over 3 months and less than 6 months	Customers are charged a fixed amount which equals the subscription fee for six months regardless of actual usage months, covering the costs for subscription and termination. For example, customers who want to terminate after subscription for five months will be charged an amount which equals the subscription fee for six months.	After we deduct the fixed amount which equals the subscription fee for six months regardless of actual usage months, customers are refunded the remaining subscription fee. For example, customers with 24-month prepayment will be refunded an amount which equals to the subscription fee for 18 months.
Actual usage over 6 months	Customers are not subject to any additional fee or service charges upon termination.	After we deduct the subscription fee based on the actual usage, customers are refunded the remaining subscription fee. No additional fees are charged.

We may terminate services to customers when customers fail to either pay on time or return the devices at the end of their subscriptions. Customers shall assume any responsibility and loss caused by such material breach.

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- Damage/loss liability.* If a device is damaged or lost for any reason not caused by our fault, including as a result of material breach by the customers, the customer shall be liable for the actual loss to us. The customer assumes the risk that any device is lost, stolen or destroyed after it has been delivered to the customer. The customer is also responsible for damages suffered as a result of misuse or neglect in handling the device. Unless the damaged item is in our judgment repairable within a reasonable period of time, the customer shall pay to us on the payment date specified in the agreement, an amount equal to the original deposit.

The increased acceptance of subscription method for office IT integrated solutions began in 2016 and thus the concept of subscribing to IT services is relatively new, we continue to introduce our subscription pack to potential customers because we believe it responds to the future trend of enterprise IT solutions. By combining quality and flexibility, our subscription customers benefit from freed working capital available for enterprise growth, having the latest innovations for their IT devices and services, as well as comfort of knowing that a professional technical support team will be responsive in case of any technical difficulties.

The following table sets forth breakdown of the years of services by type of IT devices and monthly subscription fee range during the Track Record Period:

Monthly Subscription Fee Range	Type of Devices	As of December 31,		
		2020	2021	2022
		(years)		
Below RMB100 per device	Laptops, desktops, monitors and others	2.8	2.9	3.2
RMB100 – RMB250 per device	Laptops, desktops, monitors, all-in-one PCs and others	1.6	1.4	1.9
RMB250 – RMB450 per device	Laptops, desktops, all-in-one PCs and others	1.4	1.5	1.8
Above RMB450	Laptops, desktops and others	1.2	1.0	1.3

Our managed IT services

Our subscription pack contains a wide range of managed IT services, including device configuration, device/engineer deployment, operation and maintenance support, performance optimization, and device management services, such as order placement, subscription management, on-site inspection and bulk shipment of the devices. Through our device management services, our customers can receive various services covering all stages of the use of the devices. For example, we provide customers with a one-stop experience from placing orders to tracking and managing their subscriptions, and we offer on-site return services from on-site device inspection to bulk shipment. Differentiated from traditional device rental service providers who only offer devices with basic maintenance, we offer service packs on subscription basis at predetermined prices, regardless of workload, and are committed to meet our customers' expectations for hardware and software system performance as a whole. Our

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services primarily consist of value-added IT operation services, maintenance services and remote help desk services. We fulfill customers' demands in a variety of office scenarios to improve customer experience through on-site and/or remote remediation. In addition, we strive to optimize our customer service by reducing response time to typically two hours in Beijing, Shanghai and Shenzhen, or four hours in other cities, subject to exceptional circumstances due to technical complexities.

IT operation services

- *Set-up and configuration.* Our engineers timely provide on-site support to ensure that customers have their storage, network and software technologies properly installed, powered up and functioning.
- *Proactive monitoring.* We proactively monitor the status of our devices under service. We plan and schedule preventive measures to minimize unexpected office IT downtime based on performance indicators of our devices under service. We also perform preliminary diagnostics on hardware issues during regular on-site visits to address minor hardware issues before they escalate into expensive and unplanned outages.
- *Accessories support.* We provide our enterprise customers' employees with step-by-step connection instructions and scheduled maintenance services for printers or other accessories.
- *Streamlined bulk return.* To enable our customers to return our devices in a more convenient manner, we offer on-site return services to those customers with a large number of devices under subscription, from on-site device inspection to bulk shipment. We assist our customers to transfer data before they return devices to us. For example, we also help customers back up the data or conduct data erasing if no data backup is required. We also provide customers with the options to purchase and retain the hard drive for extra assurance of data security.

Maintenance services

- *Break/fix on-site repairs.* Upon the request of customers, our engineers provide on-site troubleshooting and maintenance services within optimal response time ranging from two to four hours.
- *Timely services without operational downtime.* We can upgrade the original subscription pack as requested by customers. We deliver components from our warehouses for engineers to install. Because of our efficient device management, we have an ample pool of devices to meet customers' needs for spare devices. For example, in an emergency, malfunctioning devices can be quickly replaced without interrupting customers' operations.

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Remote help desk services

We provide 24/7 maintenance support and assistance through remote help desk services. Our Nebula system timely assigns a help desk specialist to a received ticket where the specialist catalogs the reported issue and walks the customer through diagnostic steps to determine the problem and the solution. If the reported issue is not able to be solved remotely, the ticket is then transferred to the engineer dispatch platform to be assigned to nearby engineers based on matching algorithm.

Sales of Devices

In addition to our pay-as-you-go office IT integrated solutions, we offer customers the opportunity to purchase our devices, in response to certain customers' needs. We sell devices in three ways: (i) new devices for customers purchasing in installments, (ii) used devices for customers under the subscription pack who are willing to buy out the devices, and (iii) pre-owned devices that we sell through Epaiji. During the Track Record Period, most of devices we sold were used devices.

Customers may purchase new devices in installments, which allow them to pay a relatively small sum on monthly basis to meet their budgets. The ownership of the devices will be transferred to the customers when the devices are delivered to customers. Our devices offered for customers purchasing in installments are usually charged at a higher price than those sold by the IT brands manufacturers, representing the purchase price of the device plus the value of our managed IT services.

In addition, customers who have been using our devices under a subscription pack may prefer to buy out their devices whilst in use, primarily to maintain a consistent use of the leased devices. These customers' subscriptions are then terminated once they buy out the devices. Customers who have bought out the devices can still subscribe to our managed IT services. During the Track Record Period, the IT devices subsequently sold upon termination of leasing arrangement amounted to 13,956, 15,227 and 16,225 in 2020, 2021 and 2022, respectively, accounting for 1.8%, 1.4% and 1.5% of the number of devices under subscription during the same periods, respectively. Our device selling prices under installment and buy-out modes, (calculated with the cumulative subscription fees), typically include the purchase price of the device and the value of our managed IT services. We determine the selling prices of devices taking into account the market prices set by the IT brands. We recognize the revenue from sales of devices at the time of the sales, and derecognize rental computer devices accordingly in our balance sheet. We determine the sales price of devices sold to existing customers taking into consideration the length of period during which the existing customers have been using our devices and the subscription service fee already paid: (i) for subscribing customers using our devices less than or equal to one year at the time of the buy out, the sales price of the device is determined based on the market price of the device at the time when customers initially placed order for our subscription packs; (ii) for subscribing customers using our devices more than one year at the time of the buy out, the sales price of the device equals to the purchase price of the device in installments, less the subscription fee already paid. In such case, the

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relevant installment periods are calculated as all previous subscription periods plus one. For example, if a customer under the subscription pack chooses to buy out the device after 15 months of subscription, the purchase price of the device would be calculated as if the devices were sold under installment plans for 16 months, less the subscription fee paid for the 15 months.

We may sell pre-owned devices at commercially favorable prices through our online bidding platform, Epaiji, to optimize our device portfolio, and supplement our revenue streams. Epaiji mainly targets pre-owned computer device wholesalers. As of December 31, 2022, Epaiji was one of the largest business-to-business bidding platforms for pre-owned computer devices in China, according to Frost & Sullivan. In 2020, 2021 and 2022, respectively, 44,941, 36,922 and 117,165 devices were sold on the Epaiji platform.

During the Track Record Period, the average sales value of our devices was RMB1,568, RMB1,573 and RMB1,032 in 2020, 2021, and 2022, respectively. The average sales value of our devices decreased during the Track Record Period was primarily because (i) we encouraged our existing customers for installment sales to switch to pay-as-you-go office IT integrated solution subscription; and (ii) we strategically expanded sales of surplus or less popular devices through Epaiji platform to improve operational efficiency.

Our SaaS Product

Our SaaS product, Ebandian, is designed to help enterprise customers manage their assets and inventories from asset procurement and storage to usage and disposal. Through a centralized digital database, enterprise customers can import or bulk load asset information to their accounts. Ebandian enables customers to track and manage portfolios of assets and inventories with transparency in a visualized and streamlined process. Ebandian automatically generates reports about the operational history of the assets, with visual images for easier viewing. Ebandian also generates an attachable label for each asset with a unique QR code that can be scanned to access asset reports through various channels, including Ebandian's website, Dingtalk Mini Program and WeChat Mini Program. Through its easy-to-use interface, Ebandian helps customers gain clear visibility of their assets and inventories, and effectively manage them to optimize utilization.

We charge an annual service fee, ranging from RMB1,280 to RMB13,980, for Ebandian. Ebandian is priced based on various factors, including the amount of assets and inventories to be managed, cost, profit and the market price of comparable SaaS products. We believe Ebandian is not only well-suited to the digitalization trend, but also addressing the fundamental needs of enterprises with large amount of assets and inventories. Tracking assets and creating a financial inventory using Ebandian facilitates our enterprise customers gain a better insight into their businesses and resource allocation on an ongoing basis. Ebandian streamlines asset and inventory management with a centralized database, allowing enterprises to quantify asset utilization, reduce administrative expenses and optimize business performance.

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BUSINESS SUSTAINABILITY

To pave the way for long-term success in the fast-growing market, we have been focusing on growing our customer base and improving market penetration by expanding our sales network and building up our brand image, enriching service offerings and promoting service innovation to satisfy evolving customer needs, rather than seeking short-term financial returns or net operating cash inflow. With the successful implementation of such strategies, we have experienced robust business growth during the Track Record Period. Our total revenue increased by 45.6% from RMB813.1 million for the year ended December 31, 2020 to RMB1,183.7 million for the year ended December 31, 2021, and further increased by 15.9% to RMB1,371.9 million for the year ended December 31, 2022. For the years ended December 31, 2020, 2021 and 2022, respectively, we had gross profit margin of 41.4%, 47.7% and 45.7%, respectively.

Despite our continuous growth in revenue and gross profit margin, we recorded net losses during the Track Record Period. For the years ended December 31, 2020, 2021 and 2022, respectively, we recorded net losses of RMB88.4 million, RMB348.2 million and RMB611.6 million, respectively, mainly due to the significant financial liabilities measured at fair value through profit or loss (“FVTPL”). Our financial liabilities at FVTPL during the Track Record Period were preferred shares, warrants and convertible bonds issued to investors. For the years ended December 31, 2021 and 2022, our loss on changes in fair value of financial liabilities at FVTPL amounted to RMB416.4 million and RMB702.2 million, respectively, while for the year ended December 31, 2020, we recorded a slight gain on fair value changes of financial liabilities measured at FVTPL of RMB18.6 million. This, in turn, was mainly due to significant fair value changes of preferred shares and convertible bonds, driven by our strong business growth and improved business outlook. While our net loss in 2021 and 2022 was RMB348.2 million and RMB611.6 million, we achieved positive adjusted net profit (non-IFRS measure) of RMB93.5 million and RMB135.2 million in respective periods. See “Financial Information – Consolidated Statements of Profit or Loss – Non-IFRS measure – Adjusted Net Profit/(Loss).” In addition, we incurred net operating cash outflow during the Track Record Period in 2020, 2021, mainly due to our proactive capital expenditure to support customer acquisition and to secure device procurement. For the year ended December 31, 2022, we managed to record a net cash inflow from operations of RMB595.5 million, which fully covered the procurement costs of devices during the same period. In 2023, we are expected to record an increase in net losses due to (i) fair value changes of financial liabilities at FVTPL, representing non-cash expenses arising from granting preferred shares, warrants and convertible bonds to investors, and (ii) [REDACTED] expenses.

As of December 31, 2020, 2021 and 2022 we recorded net current liabilities of RMB2,145.1 million, RMB814.7 million and RMB760.0 million, respectively, and net liabilities of RMB975.9 million, RMB1,315.3 million and RMB1,910.3 million, respectively. See “Consolidated Statements of Changes in Equity” in the Accountants’ Report as set out in Appendix I to this document. Our net liabilities as of December 31, 2020, 2021 and 2022 were primarily due to preferred shares, warrants and convertible bonds (both current and non-current portions) of RMB1,857.5 million, RMB2,282.2 million and RMB2,984.4 million, respectively,

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as recorded under financial liabilities at FVTPL in our liabilities, as well as total borrowings of RMB1,240.9 million, RMB1,605.3 million and RMB1,393.3 million, respectively. Our net current liabilities as of December 31, 2020, 2021, and 2022 were primarily due to the current portion of preferred shares, warrants and convertible bonds of RMB1,857.5 million, nil and nil, respectively, as recorded under financial liabilities at FVTPL in our current liabilities. Our net current liabilities were also due to RMB894.8 million, RMB1,221.8 million and RMB1,072.7 million current borrowings as of December 31, 2020, 2021, and 2022, respectively. Such borrowings were incurred mainly to procure or rent new devices to support our business expansion. We expect to return to net asset position upon [REDACTED], taking into account the re-designation of the convertible redeemable preferred shares with carrying amount of RMB2,984.4 million as of December 31, 2022 from financial liabilities to equity as a result of the automatic conversion into ordinary Shares.

Sustainable Revenue Growth

We believe that expanding our customer base and subscription volume is essential to monetizing our business, thereby increasing revenue and improving profitability. We are well positioned to deepen our market penetration, leveraging our ability to continuously deliver outstanding services and customer value through a managed IT services model, as opposed to the traditional office IT direct buyout mode. The number of our subscribing customers grew from approximately 28,000 as of December 31, 2020 to approximately 38,000 as of December 31, 2021, and further to approximately 42,000 as of December 31, 2022. The number of devices under subscription grew from approximately 0.8 million as of December 31, 2020 to approximately 1.1 million as of December 31, 2021, and approximately 1.1 million as of December 31, 2022. Such growth was driven by, among others, (i) the growing number of SMEs in China, their adoption and acceptance of managed IT services and the resulting growth of demand for digitalization, (ii) our enhanced brand image and improved customer experience, (iii) our diversified service offerings and deepening penetration into office IT service scenarios, such as development of self-service office IT management tools like automated network diagnostic softwares, automatic printer installation tools or smart technical support tools, and (iv) extended devices' life span supported by our remanufacturing technology, which enables us to lower the cost and increase the operational efficiency, while improving user experience with enhanced device performance. With the same growth drivers, we expect to continue to increase our customer base and subscription volume in the future.

With our growing customer base and subscription volume, our total revenue increased by 45.6% from RMB813.1 million for the year ended December 31, 2020 to RMB1,183.7 million for the year ended December 31, 2021, and further increased by 15.9% to RMB1,371.9 million for the year ended December 31, 2022. In particular, the revenue from our pay-as-you-go office IT integrated solutions increased by 55.1% from RMB643.3 million for the year ended December 31, 2020 to RMB997.9 million for the year ended December 31, 2021, further increased by 16.8% to RMB1,165.2 million for the year ended December 31, 2022. We recorded an NDRR of 111.1%, 130.5% and 102.0% for our pay-as-you-go office IT integrated solutions in 2020, 2021, and 2022, respectively.

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In addition, according to Frost & Sullivan, the market size of the office IT integrated solution segment increased from RMB0.4 billion in 2017 to RMB5.1 billion in 2021, representing a CAGR of 95.4%, and is expected to reach RMB36.1 billion in 2026 at a CAGR of 47.9% from 2021 to 2026. We, as a major office IT integrated solution provider in China, are expected to benefit from the development of the industry and gain sustainable revenue growth accordingly.

Continuously Improving Profitability and Operational Efficiency

For the years ended December 31, 2020, 2021 and 2022, respectively, we had a gross profit margin of 41.4%, 47.7% and 45.7%, respectively. Our gross profit margin increased from 41.4% in 2020 to 45.7% in 2022. The increase of our gross profit margin is primarily attributable to growth in profitability of our pay-as-you-go office IT integrated solutions, which is further attributable to: (i) our better bargaining position under economies of scale in procurement negotiations, enabling us to procure devices at lower prices and lowering the growth rate in depreciation costs; (ii) our enhanced remanufacturing capability enabling us to lower our remanufacturing costs and improve maintenance efficiency, and therefore extend the service lives of devices by, on average, two to three times their originally expected life span and significantly reduce our depreciation cost; and (iii) our improved efficiency in service delivery and risk control. With economies of scale in procurement, improving remanufacturing capability and efficiency in service network, we expect our gross profit margin to continue to grow.

During the Track Record Period, the total amount of our selling and marketing expenses, research and development expenses, and general and administrative expenses also decreased as a percentage of our revenue, reflecting our improved operational efficiency with economies of scale as our business continues to grow. These expenses accounted for 35.3%, 27.1% and 25.8% of our revenue for the years ended December 31, 2020, 2021, and 2022, respectively. Our selling and marketing expenses accounted for 14.6%, 15.3% and 12.0% of our revenue for the years ended December 31, 2020, 2021, and 2022, respectively. Our sales and marketing expenses as percentages of revenue remained relatively stable for the years ended December 31, 2020 and 2021. Our sales and marketing expenses as percentages of revenue decreased for the year ended December 31, 2022 compared to that of the same period in 2021, mainly representing a decrease in employee salaries and benefit expenses as well as advertising and marketing expenses, primarily as (i) we have strategically devoted more resources to our research and development activities while decreased our investments in marketing activities and (ii) our offline sales and marketing activities decreased under the temporary impacts of the COVID-19 Outbreak. We expect our sales and marketing expenses as a percentage of revenue to increase in the near future as our business continues to expand rapidly, and then steadily decline as we would be able to achieve cost efficiency through retaining existing customers. Our research and development expenses accounted for 7.1%, 5.2% and 6.1% of our revenue for the years ended December 31, 2020, 2021, and 2022, respectively. Research and development expenses as percentages of revenue decreased from 2020 to 2021, mainly driven by our improved research and development efficiency, benefiting from accumulated know-how. Our research and development expenses as percentages of revenue increased for the year ended

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December 31, 2022 compared to that of the same period in 2021, primarily driven by our expansion of research and development team in relation to our new R&D programs and in line with our business strategy. Going forward, we plan to increase our investment in research and development to improve our solution offerings and further establish competitive advantages. In the long run, we expect research and development expenses to gradually decrease as a percentage of revenue, achieving economies of scale by applying our technological capabilities to a larger group of customers and device base. Our general and administrative expenses accounted for 13.6%, 6.6% and 7.7% of our revenue for the years ended December 31 2020, 2021, and 2022, respectively. Our general and administrative expenses as percentages of revenue decreased from 2020 to 2021 mainly due to an employee share option plan granted to and exercised by our Directors in 2020, which made the share-based payment to our Directors and other key management personnel in 2020 higher than that in 2021. Our general and administrative expenses as percentages of revenue increased for the year ended December 31, 2022 compared to that of the same period in 2021 mainly due to an increase in employee compensation mainly in relation to the increase in the number of our employees. We expect such percentages to gradually decrease as a result of our increased operating efficiency and achievement of economies of scale.

In addition, after adjusting our net profit/loss for the year by adding back (i) share-based payment expenses, (ii) fair value changes of financial liabilities at FVTPL, and (iii) [REDACTED] expenses, which are either non-operating or one-off expenses and are not considered to be indicative of our ongoing core operating performance, we achieved a positive adjusted net profit (non-IFRS measure) of RMB93.5 million and RMB135.2 million in 2021 and 2022, respectively. See “Financial Information – Consolidated Statements of Profit or Loss – Non-IFRS measure – Adjusted Net Profit/(Loss).”

Proactive Capital Expenditure to Support Customer Acquisition and to Secure Device Procurement

We had net operating cash outflows during the Track Record Period primarily due to our proactive capital expenditure on purchase of devices to support our business growth. As of December 31, 2020, 2021, and 2022, respectively, we had approximately 29,000, 39,000 and 43,000 active customers, respectively, and approximately 0.8 million, 1.1 million and 1.1 million devices under service, respectively. During the Track Record Period, we expanded our purchases from time to time to meet the growing demand for our solutions. For the years ended December 31, 2020, 2021 and 2022, our capital expenditure incurred on additions to self-owned rental computer devices was RMB662.7 million, RMB809.3 million and RMB335.2 million, respectively. Pursuant to International Accounting Standard 7 – Statement of Cash Flows, cash payments to manufacture or acquire assets held for rental to others and subsequently held for sale are cash flows from operating activities. We use cash flows in acquiring devices and record such cash flows as operating cash flows in relation to increase in rental computer devices. For the years ended December 31, 2020, 2021, and 2022, respectively, we recorded RMB672.5 million, RMB774.3 million and RMB164.9 million in relation to the increase in rental computer devices, the fluctuation of which reflected changes in the number of our subscribing customers. See “– Sustainable Revenue Growth.” Our net operating cash

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inflow other than operating cash flow in relation to increase in rental computer equipment amounted to RMB404.0 million, RMB567.2 million and RMB760.5 million for the year ended December 31, 2020, 2021, and 2022, respectively. Meanwhile, we seek to manage our cash flows by continuing increasing the portion of leased-in devices out of the total number of devices, thereby incurring less upfront capital expenditure. Our Group's financial performance may be affected by the interest rates hike which may increase our finance costs of interest on lease liabilities for the leased-in computer devices as we expect to increase the proportion of leased-in devices.

Instead of seeking short-term financial returns or net operating cash inflow, we actively pursue long-term success to meet the fast-growing demand, thus incurring net operating cash outflows as a result of business decisions. We have strong control over our device portfolio and are able to manage our devices effectively. With the visualization function of our self-developed Nebula system, we are able to procure, remanufacture, dispatch, use and sell devices on demand. We dynamically adjust our procurement volume according to our future needs through a process of monthly monitoring of our loan repayment schedule and operating cash balance. If we expect a shortfall in operating cash flow, we are able to adjust our business plans in a timely manner, including decelerating the pace of procurement of devices.

Strong Financing Capacity

During the Track Record Period and up to the Latest Practicable Date, we have maintained a good relationship with financial institutions and were able to obtain bank and other borrowings as necessary. We had increasing indebtedness during the Track Record Period. Our current and non-current borrowings amounted to RMB1,240.9 million, RMB1,605.3 million and RMB1,393.3 million as of December 31, 2020, 2021, and 2022, respectively. We incurred an increasing amount of borrowing primarily to purchase devices to meet the potential growth in demand and to expand our business. During the Track Record Period, we did not experience any difficulty in obtaining borrowings or default in repayment of borrowings. During the Track Record Period, we were in breach of certain restrictive covenants under some of our bank borrowing, pledge and guarantee agreements with a bank, due to our failure to fulfill certain notification obligation. See "Risk Factors – Our business requires a large amount of capital to finance the expansion of our operations. We have also maintained a relatively high level of indebtedness. Failure to manage our liquidity and cash flows or inability to obtain additional financing in the future could have a material adverse impact on our business, results of operations and financial condition." We are of the view that such breach does not have material impact on our business and financial performance. During the Track Record Period and up to the Latest Practicable Date, there was no material breach in any covenants under our borrowing agreements in any material aspects that could have a material adverse impact on our financial condition and business.

Given our good credit history and our current credit status, we do not expect we will encounter any major difficulties in obtaining additional borrowings in the future.

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Further, in the future, with our improved profitability, our adjusted net profit (non-IFRS measure) is expected to continue increasing, bringing about a better cash flow position from our operations. As a result, we will contribute to an enhanced relationship with financial institutions, helping us obtain sufficient and prompt bank and other borrowings to fund our business growth, consistently improving our working capital sufficiency.

CUSTOMER ACQUISITION, SERVICE AND RETENTION

We believe that satisfied customers are key to high customer retention. Therefore, our customer-oriented services place customer experience at the center of our business. As of December 31, 2020, 2021 and 2022, we had approximately 28,000, 38,000 and 42,000 subscribing enterprise customers, respectively. In 2020, 2021 and 2022, we had an NDRR of 110.6%, 128.5% and 101.6%, respectively. We experienced a decrease in NDRR in 2022 primarily because although our customers largely maintained business relationship with us, growth in demands from our customers was moderated during the same year, primarily in relation to such customers' lowered rate of business growth or even downsized workforce. In 2020, 2021 and 2022, we had a customer retention rate of 72%, 71% and 73%. Such high customer retention and rapid growth in customer base lay a solid foundation for us to foster customer loyalty, creating significant opportunities for cross-sale to existing customers, thus leading to predictable revenue growth contributed by existing customers.

Sales and Marketing

Our sales department is responsible for customer conversion and retention. As of December 31, 2022, our sales department had 837 employees, including over 674 salespeople. Our frontline salespeople are stationed across nine cities that are strategically important to us, namely Beijing, Shanghai, Guangzhou, Shenzhen, Wuhan, Chengdu, Hangzhou, Hefei and Suzhou. Our customer success department also has offices in Beijing, Shanghai, Guangzhou, Shenzhen, Wuhan, Chengdu, Hangzhou and Suzhou. At the same time, we have a systematic recruitment process and a comprehensive training program to continually improve the professional competency of our sales force.

Our customer acquisition process starts with identifying potential customers through our marketing efforts, existing customers' referrals, and the CRM function of our Nebula system. See "– Our Technology and Infrastructure – Customer Relationship Management Function." Our salespeople are equipped with thorough knowledge about our office IT integrated solution packs, and are able to identify the needs of potential customers and business opportunities. We either help our customers identify the right devices, or a combination of them, to address their specific organizational challenges or meet the compatibility requirements of their existing technology infrastructure. In the early stages of the path to conversion, our sales team usually offers free trials of IT services, increasing the awareness and visibility of our service offerings as well as establishing a strong identity and presence.

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Our sales team also maintains good relationship with existing customers. Upon learning a customer’s needs, our sales team makes a preliminary assessment to decide whether they are to solve the problems directly or log a service ticket on the customer’s behalf. The sales team also cooperates with the customer success team in serving customers who have high demands for office IT integrated solutions.

Our marketing department promotes our brand both online and offline. We achieve brand upgrading and customer acquisition through various avenues, including media releases, influencer endorsement, short video posts on prominent platforms, and offline promotional activities. We also place advertisements and surveys online and analyze behavioral information obtained through these surveys.

Typically, identifying and serving a large number of SMEs incurs high sales and marketing expenses. We have developed an effective sales network supported by several functions of our Nebula system, most prominently the CRM function, which significantly lowers our sales and marketing expenses. In 2020, 2021 and 2022, our selling and marketing expenses were RMB119.0 million, RMB181.0 million and RMB164.7 million, respectively.

Customer Service

We generally offer our services through on-site visits or remote remediation to meet customers’ service needs while maintaining cost efficiency with the service capability function of our Nebula system. See “– Our Technology and Infrastructure – Our Digitalization Technology – Service capability function.” Customers can submit their service requests to our customer success team or sales team, who then forwards the request to our engineers, if necessary. Our customers can also call our customer service hotline or log a ticket on our engineer dispatch platform to report issues. Our representatives make preliminary assessments on each received query, and the back-end system can also automatically perform assessments based on its matching algorithm, tagging each of our customers tickets by priority. We categorize the received queries based on subject matter and complexity, so as to determine whether the query should be assigned with remote or on-site support.

For remote support, we match available engineers through our remote help desk to respond to received queries from customers within optimal response time of 30 minutes. On-site tickets are transferred to the engineer dispatch platform, which assigns tickets to nearby engineers based on a comprehensive calculation taking into account the real-time location and efficiency of engineers together with the location of the customer and the difficulty of the task. We guarantee our customer optimal response time, which is generally two hours in Beijing, Shanghai and Shenzhen, or four hours in other cities, subject to exceptional circumstances due to technical complexities. Our optimal response time is premised on an efficient service system centering around our nationwide service capability. In some cities, our response time is about ten times faster than industry average, according to Frost & Sullivan. Meanwhile, the engineer dispatch platform simultaneously updates the ticket status and generates a detailed schedule for each ticket. See “– Our Technology and Infrastructure – Our Digitalization Technology – Service capability function.” To minimize the IT downtime for customers, we generally provide equivalent substitute devices for customers to use when the

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original devices experience malfunctions. We primarily provide on-site IT services through our own engineers across 14 cities, namely Beijing, Shanghai, Tianjin, Hefei, Wuhan, Chengdu, Xi'an, Shenzhen, Hangzhou, Guangzhou, Suzhou, Chongqing, Nanjing and Changsha. To balance efficiency, service quality and scalability, and in order to satisfy our customers' nationwide, diverse and complete technical support demand, we also collaborate with third-party technical companies for their engineers to support our managed IT services in geographical areas where we have less presence.

In addition, for customers with high maintenance demands during daily operations, we provide residency services where our engineers can remain on-site and provide in-house IT support to ensure the functionality and productivity of the customer's daily operations.

In line with the digital transformation process, enterprise customers seek agility and flexibility in daily operations. We constantly upgrade and enrich the content of our subscription pack to provide improved services to meet our customers' evolving needs as they become increasingly sophisticated in office IT. For example, we have developed remote monitoring and self-service office IT management tools, such as automated network diagnostic software, an automatic printer installation tool and a smart technical support tool via WeChat Mini Program, through which customers can log a ticket by scanning the QR code attached to each of our devices. We also assist our customers in various processes, including data transfer, before they return devices to us. In addition to the managed IT services within our pack, we also provide value-added services to customers. For example, we offer customers the option to upgrade the configuration of their devices under subscription.

Service quality control

We believe that the quality of our office IT integrated solutions is one of our core strengths and is vital to our business. With a quality control system, we control our service quality throughout the entire service process to gain customers trust and enhance brand recognition. The quality control system ensures our service quality mainly through systematic review, customer reviews and quality check conducted by experts. In 2018, we obtained ISO20000-1 IT service management system certification, which was renewed in 2021. We ensure the quality of our service through the following methods:

- *Systematic review.* We set up specific service process and formulate quality inspection standards for each type of service we offer. We accumulate and integrate all data points collected through our interaction with each customer to systematically evaluate the services provided to them. Each service ticket logged by our customers is automatically delivered to the quality control system to form a complete tracking record. According to the service process and quality inspection standards, the quality control system examines the tracking record to check if there is any abnormality in the service process, such as past-due requests, unfinished on-site IT services, and device components delivery delays. If an abnormality is detected, the system sends an alert, and the responsible department follows up on the request.

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- *Customer reviews.* After the completion of the service, we invite the customer to submit feedback through a customer survey. We also collect customers' feedback through regular on-site visits. Such comprehensive customer reviews provide insight into our service performance and enable us to improve both service quality and customer experience.
- *Quality control experts.* Our IT maintenance team is staffed with quality control experts. After the services are completed, our IT engineers are required to record their service procedures using the service capability function of our Nebula system. The quality control experts examine the record to determine whether there are any problems with the service process.
- *Quality control over third parties.* To ensure consistent high-quality service, we exercise quality control over tasks performed by engineers (including our own engineers and third-party engineers) throughout the service process and evaluate the performance of engineers on a regular basis.

Customer Success Approach

We endeavor to provide our customers with consistently high-quality service and support, which we believe is critical to our success as well as our customers' success. Since some of our customers have a large number of potential IT users and a higher level of office IT complexity, they usually demand customized office IT solutions. Thus, we established a customer success department to provide timely and tailored customer service to further enhance customer satisfaction and loyalty. Compared with our sales team which is more focused on customer acquisition, our customer success team is more devoted to customer growth and retention. Depending on the complexity of our customers' office IT needs, our customer success team can be involved at early stages of the sales process or during the later stages of providing our services. We believe that meaningful human interactions and relationships formed between businesses and customers bring a highly satisfying customer experience. By cultivating our customer relationships and personalizing customer-support efforts, our customer success team has developed a strategy and culture that encourages and highlights the connection and rapport embedded in each interaction with our customers, which further enhances the customer experience, improves the effectiveness of sales and grows our customer base. As of December 31, 2022, the customer success department served approximately 43,000 customers.

Throughout the service process, we learn about our customers' needs through daily interaction and regular on-site visits, and strategically arrange company resources to meet the flexible needs of customers within optimal response time. Acting as a link between customers' needs and our Company's capability to meet those needs, we mainly provide the following services: (i) reconciling monthly billing statements with customers and collecting payments in a timely manner; (ii) providing technical and operational consultations during on-site visits; (iii) coordinating with engineers to provide remote or on-site support; (iv) working with the product department to customize solutions to meet customers' evolving needs; (v) coordinating with our risk management department if customers have reached their credit limit or have payments overdue; (vi) reaching out to customers to participate in the marketing department's promotional activities; and (vii) delivering business leads to the sales team for further follow-up.

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The customer success department uses the customer success function of our Nebula system for internal recording and assessment. Linked to the CRM function of our Nebula system, the customer success function keeps track of customer service performance and feedback from customers, generating quantitative data about the customer service process to help us visualize where we are in our relationship with customers, evaluating our work progress and quality. Customers' praise, referrals of other potential customers, and invitations to their company events are examples of positive customer feedback that demonstrate the consumer success team's commitment to providing exceptional services and building long-term relationships.

OUR DEVICE MANAGEMENT

We manage our devices around device life cycle, which is crucial for enhancing our business profitability and sustainability. Focusing on the back-end architecture of our business, our device life cycle spans from procurement, dispatch and usage to remanufacturing and disposal of devices. Each stage is critical in terms of a device's performance and life span. With our remanufacturing technologies, we can extend the service life of devices to, on average, two to three times their original life span, which forms our cost advantage driven by our lowered depreciation cost. Moreover, our competitive advantage in device circulation reduces waste and fulfills our commitment to environmentally friendly operations.

Procurement

We strategically set up our procurement level annually in line with our business expansion. In addition, every month, we will further adjust our procurement volume based on the input and suggestions from our sales team. We also evaluate our procurement level periodically taking into consideration our historical revenue and the changing market trends. Our large procurement volume of devices leads to greater bargaining power, allowing us to purchase devices more cost-effectively and to provide customers with favorable pricing. Leveraging the capacity planning function of our Nebula system, we are able to dynamically adjust our procurement according to our needs. We also purchase our devices through multiple channels, including PC brands and distributors.

The salient terms of our standard procurement agreements include:

- **Term.** We generally enter into procurement agreements with suppliers on an as-needed basis.
- **Logistics.** Suppliers are usually responsible for delivering their products to our designated places, and they shall bear the delivery charges.
- **Inspection and acceptance.** We are entitled to conduct product inspection before acceptance, and we may request rectification of any quality issues.

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- **Payment.** We settle payments with our suppliers either after entering procurement agreements or after product acceptance.
- **Termination.** We are entitled to terminate the procurement agreements if our suppliers breach the procurement agreements.

The salient terms of our standard finance leasing agreements include:

- **Term.** The duration of finance leasing agreements is typically 24 months.
- **Deposits.** We usually provide deposits after entering the contracts, which shall typically be returned within ten days after completion of lease terms.
- **Payment.** We usually settle lease payments monthly.
- **Lease to third parties.** We are allowed to lease the products under the finance leasing agreements to third parties.
- **Maintenance.** We are required to maintain the products.
- **Purchase.** We are entitled to request to purchase products under the finance leasing agreements at a pre-determined price if there is no breach of contract during the leasing terms.
- **Insurance.** We are usually required to obtain insurance for leased products.

We had not purchased second-hand IT devices during the Track Record Period. However, certain of our customers had returned used IT devices to us during the same period of time.

Dispatch and Usage

We are capable of dispatching millions of devices. The visualization function of our Nebula system allows us to manage and monitor devices digitally throughout the whole life cycle. See “– Our Technology and Infrastructure – Our Digitalization Technology – Capacity planning function.” Upon receipt of an order, our engineers configure the devices according to the customer’s specific requirements. The system subsequently arranges the delivery. Next, we dispatch engineers to perform on-site set-up at the time requested by the customer. From there, customers are able to enjoy broad managed IT services provided by us. Devices are returned to us upon expiration of the subscription for inspection, repair and refurbishment before being re-dispatched to new customers. Through this circulation of devices among different customers, we achieve cost-effectiveness and maintain environmental sustainability.

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Remanufacturing

We endeavor to create a resilient and sustainable IT system leveraging our industry-leading remanufacturing capability. With our expertise in remanufacturing, we test, retrofit, upgrade and reset devices, extending the service life of devices by, on average, two to three times their original life span while maintaining or improving their performance. With a prolonged life span, our devices last longer in the circulation process and thus can be utilized to support more customers’ subscription cycles, which is not only cost-efficient but also environmentally friendly. In addition, our strong remanufacturing ability enables us to conduct testing and repair on electronic components down to chip-level. Instead of having to dispose of and replace the whole devices such as laptops, desktop or even monitors, we restore these devices to an as-new or better-than-new condition by replacing only their worn or nonfunctioning components or upgrading used units. This helps reduce electronic waste in society and achieve carbon reduction. See “– Environmental, Social and Governance Matters.” In addition to its value to the environment and society, our sustainable IT system has brought us economic value. With prolonged device life span, we can maximize the value of devices throughout their service life and significantly reduce depreciation costs. We treat the remanufacturing costs as costs of day-to-day servicing, for instance, the repairs and maintenance costs of the rental computer devices primarily comprising the costs of labor and consumable. We recognize such costs as expenses incurred. Leveraging our ability to perform chip-level repair and remanufacturing, our average cost of remanufacturing during the Track Record Period amounted to RMB75, RMB72 and RMB63 per device in 2020, 2021 and 2022, respectively.

Device Sales

We have the ability to optimize our device portfolio by selling devices at commercially favorable prices through our online bidding platform Epaiji, which mainly targets pre-owned computer device wholesalers. Through Epaiji, we further enhance our device management capability and can efficiently sell over 10,000 devices per month using the platform, with its peak transaction volume of 10,668 devices sold in May 2020.

OUR TECHNOLOGY AND INFRASTRUCTURE

Embedded throughout the entire transaction life cycle of our business, our remanufacturing technology and proprietary Nebula system constitute our enterprise back-end architecture, fundamentally drive our business growth and have become the basis of our competitive edge over time.

Our Remanufacturing Technology

Differentiated from device repair and replacement/maintenance process, the remanufacturing process involves precise identification of the cause of the malfunction, and repair of only the faulty unit as necessary, being the least intrusive and the most efficient method to recondition a device to at least its original performance specifications and default

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configurations, according to Frost & Sullivan. With the accumulated know-how, we use standardized industrial processes in line with a set of established technical specifications and can perform chip-level repairs after precisely identifying the cause of the malfunction. In contrast, the traditional repair process is essentially manual and only involves basic inspection to ensure that the device returns to functionality. Through the remanufacturing process, devices can be restored to an as-new or better-than-new condition, with service life also extended.

Our remanufacturing process primarily consists of three steps: (i) we carefully clean the exterior of the device to remove stains and dust in order to restore the appearance of the device to near-new condition; (ii) we repair major components, mainly including the keyboard, screen, and battery, in order to enhance the user experience. For example, we precisely overhaul the battery and replace damaged cells to restore battery life; we also replace the screen's LED display components to enhance the display; and (iii) we inspect carefully and upgrade the device, inspect the hard drive, and conduct chip-level repair to solve any circuit problems. In addition, we also repair or replace other parts that do not work properly and upgrade key components, such as memory and hard drives, according to the actual needs of the customers. It typically takes less than ten days to remanufacture a device. During the Track Record Period, each device is remanufactured 4.3 times during its lifespan on average. Our industry-leading remanufacturing technology has largely enhanced device utilization through extending the service life of devices from an average of three years to an average of seven to ten years, achieving scalability and profitability. We have adopted the use of various devices and technologies, including software systems and hardware devices for bulk inspection, quick refurbishment tools, as well as innovative refurbishment technology, to improve the efficiency of remanufacturing while maintaining the appearance and performance of the device at the same time. Our remanufacturing technology features our self-developed, standardized remanufacturing process with automated testing technology and our chip-level repair capability. In 2018, we obtained ISO9001 quality management system certification, which was renewed in 2021.

Standardized remanufacturing process

We are one of the first in China to develop and incorporate standardized protocols into the remanufacturing process with automated testing technology, according to Frost & Sullivan. Differentiated from the traditional mass production of new devices, the challenges in standardizing the remanufacturing process lie in the identification of the specific issue and corresponding remanufacturing procedure for each device. Through our expertise accumulated from over a decade of experience in handling IT devices, from diagnosis, repair and quality control through delivery, we transformed a non-standard remanufacturing process and developed a set of standard protocols. For example, we developed an MES system, which is similar to the dashboard system on traditional assembly lines. Through this system, we offer step-by-step remanufacturing guidance to operators and achieve standardized remanufacturing. An engineer inspects the incoming devices and marks any problems onto the MES system. The next engineer replaces the defective units accordingly, and may also request through the MES system for new units to be delivered to his or her station. An automated inspection at the end of the remanufacturing process screens for manual errors. Our MES system enables us to

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reduce the dependence on skilled labor, which is a resource scarce at all times. Through the accumulation of know-how, our MES system reduces asset losses caused by human errors, saves labor costs and improves efficiency.

Leveraging our strong remanufacturing capabilities, we are able to continue developing and incorporating standardized protocols into our remanufacturing process with automated testing technology, and therefore propelling our remanufacturing scalability to achieve greater production output and support the rapid growth of our business scale. According to Frost & Sullivan, we own the only PC remanufacturing factory network in China that has a production capability of over 600,000 devices in a year. In 2021, we remanufactured 608,461 devices.

Furthermore, by following our standardized protocols and step-by-step remanufacturing guidance, our operators can precisely identify the cause of failure for devices down to chip-level, and perform chip-level repairs more efficiently.

Chip-level repair capability

With our strong remanufacturing capabilities, instead of replacing the whole malfunctioning component as commonly done by traditional IT service providers, we take the component apart and only repair the faulty unit as necessary. For instance, many factors can result in the malfunctioning of a main board, and a service provider lacking remanufacturing abilities may not be able to identify which unit or component is the cause of the malfunction. As a result, the customer may have to replace the main board entirely. Sometimes even if the service provider identifies the malfunctioning unit within a component, it may not be able to obtain a substitute with the same level of high-quality performance. Contrastingly, we are able to conduct reverse-engineering of the circuits to determine the root cause. As a result, instead of having to dispose of and replace the whole devices such as laptops, desktop or even monitors, we restore these devices to an as-new or better-than-new condition by replacing only their worn or faulty units, or upgrading used units. This helps reduce electronic waste in society and achieve carbon reduction.

This business model is not only environmentally friendly but also cost-effective. Leveraging our chip-level repair capability, our average cost of remanufacturing in 2020 was below RMB100 per device and our average remanufacturing time during the same period is less than ten days, representing a 50% reduction compared with device repair or replacement under warranty services offered by traditional manufacturers, according to Frost & Sullivan. The remanufacturing costs primarily comprise staff costs, procurement costs of components, and depreciation of leased-in buildings and warehouses. For the year ended December 31, 2020, 2021 and 2022, respectively, our remanufacturing costs amounted to RMB34.8 million, RMB43.7 million and RMB46.5 million, respectively.

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Our Digitalization Technology

We have developed the Nebula system, a collection of internal management functions, connecting our operations from front-end to back-end, through which we provide our customers with a package of services, including hardware configuration, device/engineer deployment, operation and maintenance support, performance optimization, and life-cycle management services. Through our own unique infrastructure developed specifically to address our challenges in device management and service efficiency, we are able to manage devices on a large scale efficiently and provide tailored and timely customer service, enhancing our business functionality. The key functions of our Nebula system include the following:

Visualization function for devices

The visualization function of our Nebula system assists us with resource management and alignment between supply and demand. The visualization function covers the management of the entire life cycle of devices, from procurement, storage, service commencement, operational support, return, remanufacture to eventual disposal, which enables management at scale. The function automatically generates a customized asset card for each device entered. With the information contained in each asset card, the function creates an asset list that allows real-time tracking of an individual device within our facility and monitoring the current or historical service status of the device. In parallel, it can manage basic device information (such as purchases, suppliers and invoice information), transaction information (such as customers, orders and logistics), and financial information (such as revenue and cost, depreciation and asset replacement). This refined resource management function improves operational efficiency and asset performance while dispatching millions of devices among customers.

Capacity planning function

The capacity planning function is able to predict customers' future demand for devices by analyzing our device portfolio, such as the number of incoming devices returned under subscription per day and in the previous 30 days, as well as devices undergoing remanufacturing and devices available to use, classified into different categories including product types, geographical regions and user scenarios. The function also analyzes the historical subscription information of customers, such as the number of renewals and returns, and increases or reductions in subscriptions. Based on the Nebula system report, we predict the trend of future orders on a monthly basis and adjust our procurement plans accordingly. Our head of purchasing department is responsible for reviewing and approving the procurement plans.

Customer relationship management function

In terms of customer acquisition, the CRM function of our Nebula system enables us to generate customer portraits, which serve as the basis of customer acquisition for the sales team. Our interactive CRM function assists us in nurturing our relationships with existing and potential customers. Using the CRM function, our sales team stores all known information on

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our customers including company names, addresses and contacts. The function also records every interaction with our existing and potential customers throughout the entire relationship. For instance, the function stores information such as a customer's preference in device types and makes it available to our sales team. Our sales team can add events and reminders to each customer and update corresponding information at any time. Once a customer profile is generated, the CRM function automatically alerts the sales team to revisit customers while simultaneously providing the customers' information. This serves as an efficient tool of customer acquisition and retention. Identifying and serving a large number of SMEs incurs high sales and marketing expenses. With the CRM function, our sales team can plan tasks ahead of time and discover upselling or cross-selling opportunities based on historical sales data. The CRM function plays an important role in the development of our effective sales network, which significantly lowers the sales and marketing expenses. With the CRM function, we also place advertisements and surveys online and analyze behavioral information obtained through these surveys.

Service capability function

The service capability function of our Nebula system enables us to provide agile and timely service, thereby improving our customer experience. For example, we established a user-friendly engineer dispatch platform, with interactive user interface. Customers may log a ticket to report an issue on the platform, including failures in network, system, software and hardware. Upon receipt of such ticket, the system makes a preliminary determination based on its matching algorithm on the specific customer need shown by the reported issue to decide whether the ticket should be assigned with remote or on-site support. On-site tickets are transferred to the engineer dispatch platform which assigns tickets to nearby engineers based on a comprehensive calculation, taking into account the real-time location and efficiency of engineers together with the location of the client and the difficulty of the task. Meanwhile, the system simultaneously updates the ticket status and generates a detailed schedule.

Epaiji: online bidding platform

We are able to optimize our device portfolio by disposing of devices at commercially favorable prices through our online bidding platform, Epaiji, which further enhances our management capability. To reach more potential users, we conduct offline visits to cities where wholesalers of pre-owned computer devices are concentrated, inviting dealers to register on Epaiji. Through direct promotion, we have retained hundreds of registered dealers on our platform for each product category. As of December 31, 2022, Epaiji was the single largest business-to-business bidding platform for pre-owned computer devices in China, according to Frost & Sullivan.

Regarding our bidding process, we first sort our surplus devices into various categories such as laptops, desktops, and device components. To initiate the bidding, we post the devices on our platform with an opening bid and notify registered dealers by mobile application and in-person invitation. The opening bid is set based on the fair market price of pre-owned devices with similar configuration and usage time. With the minimum requirement of bidding rounds of ten and number of participants of five, the dealer with the highest bid wins and receives the

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devices at the second highest bid price under the sealed-bid second-price auction mechanism we adopted. The mechanism is designed mainly to encourage better use of Epaiji. Through such mechanism, we are able to sell surplus devices in a commercially favorable and efficient manner compared with other online secondhand marketplaces. During the Track Record Period, the sales price for our pre-owned devices sold on Epaiji platform was, on average, 9.0% higher than the opening bid.

Furthermore, we possess the capability of efficiently disposing of over 10,000 devices per month using the platform, with its peak transaction volume of 10,668 devices sold in May 2020.

We obtained the requisite license for Epaiji, and as advised by our PRC Legal Advisor, we complied with the relevant laws and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We believe that our continued growth rests on integrating social values into our business. Since our inception, we have been dedicated to creating a lasting and positive ESG impact on our customers, partners and the broader community. Through our ESG strategy, we are advancing how we can support customers and meet our own objectives and aspirations.

Underpinned by our adherence to social values and sustainable development, we have achieved high efficiency in energy consumption and controlled greenhouse gas emission. Specifically, we endeavor to create sustainable IT to achieve carbon neutrality with our expertise. Our remanufacturing technology extends the service life of a device and facilitates its reuse, not only reducing waste and carbon emissions, but also saving material and energy expenses.

The following table sets forth our electricity consumption, water consumption and greenhouse gas emission in 2021 in comparison with industry average:

	Total electricity consumption <i>(kWh per million RMB revenue)</i>	Total water consumption <i>(tons per million RMB revenue)</i>	Carbon dioxide equivalent emission <i>(tons per million RMB revenue)</i>
Our Company	1,527.8	20.7	1.2 ⁽¹⁾
Industry Peers	7,672.2	27.1	6.8 ⁽²⁾

Notes:

- (1) Meanwhile, our annual greenhouse gas emission amounted to 1.15 tons of carbon dioxide per employee in 2021.
- (2) Calculated by the average value of carbon emissions intensity.

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Based on an assessment of the carbon footprint of our company’s operations, our business model has enabled us to achieve an annual greenhouse gas emission reduction of more than 50,000 tons of carbon dioxide equivalent. For more details on our plan to save energy consumption and manage greenhouse gas emission, please see “– Metrics and Targets.”

Furthermore, in response to enterprises’ increasing awareness of carbon neutrality and acceptability of remanufactured devices, we consciously introduce the environmental sustainability feature of our subscription pack to potential customers, not only catering to customers’ green business philosophies but also creating social and economic value for customers. ESG is embedded in every aspect of our business model, driving our business profitability. See “– Our Business” and “– Our Technology and Infrastructure – Our Remanufacturing Technology.”

Social Responsibility

We place a strong emphasis on promoting diversity within our company and treating all of our employees equally and respectfully with regard to their recruiting, training, health, and professional and personal development. We continue to foster a work-life balance and a positive working atmosphere for all of our employees while enhancing equal job opportunities for all. We care for the socially disadvantaged and strive to give back to the society. For example, in 2020, we partnered with the Dandangzhe Foundation to establish 67 mini libraries across seven elementary schools in Guizhou Province. In February 2020, at the time of the COVID-19 outbreak in Wuhan, we donated the right to use our SaaS product, Ebandian, to the Hongshan makeshift square-cabin hospital.

Governance

We acknowledge our responsibilities on environmental protection and social responsibilities, and are aware of the climate-related issues that may impact on our business. We are in the process of establishing an ESG policy (the “**ESG Policy**”) incorporating the following aspects: (i) appropriate risk governance of ESG matters, including climate-related risks and opportunities; (ii) identification of key stakeholders and the communication channels to engage with them; (iii) ESG governing structure, (iv) ESG strategy formation procedures; (v) ESG risk management and monitoring; and (vi) the identification of key performance indicators (“**KPIs**”), the relevant measurements and mitigating measures.

Our ESG Policy also sets out the respective responsibility and authority of different parties in the above processes. Our Board has the overall responsibility for overseeing and adopting the ESG Policy, assessing ESG-related risks on a regular basis according to applicable laws, regulations and policies, crafting and determining our strategies and key targets, as well as reviewing our performance annually against ESG-related targets and revising the ESG strategies as appropriate if significant variance from the target is identified.

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We are also in the process of setting up an ESG working group comprising personnel of key operational functions to support our Board in implementing the ESG Policy. Specifically, the ESG working group would in general be responsible for keeping abreast of the latest ESG-related laws and regulations, conducting materiality assessments of ESG-related risks and assessing how we adapt our business in light of climate change, and continuously monitoring the implementation of measures to address our ESG-related responsibilities.

Potential Financial Impact of ESG-Related Risks and Opportunities

We monitor environmental, social and climate-related risks and opportunities that may impact on our business, strategy and financial performance, and evaluate the magnitude of resulting impact over the short, medium and long-term horizons. The demand for our services depends on a stable natural and social environment. Epidemics, extreme weather, earthquakes, and other natural disasters will negatively impact on the operations of us and our users. Climate change may result in weather pattern changes, which may increase the frequency of extreme weather conditions. In the medium to long term, governments may change existing or enact new environmental, social and climate-related laws and regulations, which may affect our business, operations and financial position directly or indirectly. For example, such change may strengthen climate-related requirements, affect vehicle ownership cost, increase labor cost, and change user preference and demand. We take these issues into account when developing our business strategy and may adjust our strategy in a particular country, region or city in response to changing environmental, social and climate-related landscapes.

Our Strategies and Mitigating Measures in Addressing ESG-Related Risks and Opportunities

Climate-related issues are among our key agenda. Supervised by our Board, we identify and monitor the climate-related risks and opportunities over the short, medium and long term and seek to incorporate such climate-related issues into our business, strategy and financial planning. We will also adopt a series of comprehensive and effective measures to systematically identify, assess, manage and reduce the ESG-related risks. For example, we plan to establish an energy management system which enables us to monitor energy consumption data and generate reports.

In terms of risk management, we will incorporate physical and transition risk and opportunities analysis into risk assessment processes. If the risks and opportunities are considered to be material, we will incorporate them into the strategy and financial planning process. We from time to time hold devices in storage, which can be affected by extreme weather conditions. We have adopted relevant designs to strengthen our storage environment, and have also purchased some property insurance covering devices that are in our possession. It is expected that extreme weather conditions for potential physical risks would not have a material impact on our operation in the short and medium term. Upon annual review of the progress against our targets for addressing climate-related issues, we may revise the ESG strategies as appropriate.

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In addition, we continuously enhance our remanufacturing capability to reduce greenhouse gas emissions and energy consumption. In addition, we further reduce waste and increase recyclability through our sustainable packaging initiative. We encourage fiber-only designs and recycling of packaging materials used during our business operations, such as cartons, cardboard and plastic bags. To further motivate our employees to participate in our initiative, we provide an incentive bonus according to the amount they recycle each month. Looking ahead, our overall strategy focuses on promoting ESG and our related efforts to our customers.

Metrics and Targets

We believe in the importance of caring for our planet and strive to balance our role as a for-profit company with improving life for people globally. Under our ESG Policy, we have established a comprehensive set of KPIs to guide our business operations. Specifically, we expect to continuously reduce our annual electricity consumption, water consumption and greenhouse gas emission according to the plan below:

	2023	2024	2025
Expected reduction in electricity consumption (kWh per million RMB revenue)	60	90	110
Expected reduction in water consumption (tons per million RMB revenue)	1.0	1.4	1.5
Expected reduction in greenhouse gas emission (tons of carbon dioxide equivalent per million RMB revenue)	0.028	0.027	0.027

Greenhouse gas emissions

We are expected to achieve a 20.0% reduction in greenhouse gas emissions per unit of revenue in the foreseeable future. We strive to continuously reduce the level of greenhouse gas through our environmentally friendly business model.

Energy consumption

We are expected to achieve a 20.0% reduction in energy consumption per unit of revenue in the foreseeable future. We reduce energy consumption by optimizing our remanufacturing design to reduce power usage and using environmentally friendly equipment and facilities in our remanufacturing factories and warehouses.

Due to the nature of our business, we do not generate industrial pollutants. During the Track Record Period and up to the Latest Practicable Date, we have not come across any non-compliance issues in respect of any applicable laws and regulations on environmental protection or complaints from our customers or the public in relation thereto.

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RESEARCH AND DEVELOPMENT

We have invested heavily in research and development since on early stage of our development. Unlike other product development companies which have high research and development expenses due to periodic launches of new products, we focus more on developing remanufacturing capabilities and our back-end, self-developed Nebula system. For example, we have refurbished more than one million devices in total. We spend the subsequent research and development expenses primarily on the maintenance, iteration and upgrade of our remanufacturing facility and self-developed functions of our Nebula system. We measure our future success by lowered research and development expense ratio through economies of scale, achieving lower unit costs as we gradually scale up. Our strong research and development capabilities have aided in the standardization of our remanufacturing process, and are expected to continue fueling our growth in the future. We expect to further expand our research and development expenses on various self-developed functions of our Nebula system to further support the healthy and steady growth of our business.

As of December 31, 2022, the number of our research and development employees was 210, representing 12.1% of our full-time employees. Our senior research and development staff have accumulated substantial prior research and development experience at top-tier technology companies before joining us. Our founder, Dr. Ji, who has over 15 years of experience in the industry, is responsible for the overall research and development process. Dr. Ji obtained a bachelor's degree in automation and a doctoral degree in control theory and engineering from Tsinghua University, and maintains a deep knowledge in automation as well as hardware and software technology.

We invested a high proportion of revenue in research and development at our initial stage of pay-as-you-go office IT integrated solutions, with steady expenses on research and development in the following years. In 2020, 2021 and 2022, our research and development expenses were approximately RMB57.9 million, RMB62.1 million and RMB84.0 million, respectively, accounting for 7.1%, 5.2% and 6.1% of our revenue, respectively. The research and development expenses mainly consist of salaries and subsidies of research and development personnel, as well as the expenses of the employee stock ownership plan for research and development personnel.

OUR CUSTOMERS

We have accumulated a large and diversified customer base across various sectors. Our customers are primarily SMEs, which mainly operate in internet, retail, healthcare, media, information and telecommunication hardware, outsourcing service intermediaries, education and consumer goods industries. We are dedicated to expanding our horizontal marketing coverage to a wider customer base across diverse sectors instead of focusing on vertical marketing penetration. In the year ended December 31, 2020, 2021 and 2022, revenue generated from our five largest customers accounted for less than 10% of the total revenue for each of the years during the Track Record Period.

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OUR SUPPLIERS

Our suppliers primarily include electronic devices and components manufacturers and distributors. In the years ended December 31, 2020, 2021 and 2022, charges from our largest supplier in terms of transaction amounts accounted for 32.4%, 32.9% and 28.2%, respectively, of our total purchases, and charges from our five largest suppliers in terms of transaction amounts accounted for 58.6%, 78.5% and 72.9%, respectively, of our total purchases. See “Risk Factors – Risks relating to Our Business and Industry – We rely on a number of key suppliers to supply our devices. Deterioration or termination of one or more of our relationships with any of our major device suppliers, unstable supply or defected device provided by our major equipment suppliers could have a material adverse impact on our operations, business and results of operations.”

We enter into framework agreements with the suppliers of electronic devices or components and negotiate specific purchase terms, including price and delivery terms, directly with electronic devices and components manufacturers and distributors, on a case-by-case basis when we place orders under the framework agreements. The key terms of a typical framework agreement are set forth below:

- **Duration.** The typical term of the framework agreement is one year.
- **Logistics.** Unless otherwise agreed, the supplier is required to deliver the devices we purchased to the location designated by us.
- **Renewal.** Unless one party gives the other written notice two months prior to the expiration of the term of the agreement, the term of the framework agreement is automatically renewed for another year at the end of the period.
- **Termination.** Both parties have right to terminate the agreement upon other parties' material breach of such agreement.

During the Track Record Period, we purchased electronic devices and components from our suppliers, such as desktops, laptops, monitors, keyboard, CPUs, graphics processing units (GPUs) and other accessories.

Our suppliers also include the lessors from whom we acquire a percentage of devices through finance leasing arrangements. During the Track Record Period, we complied with the terms of agreements with these lessors in all material respects.

In addition, as of December 31, 2022, we have collaborated with five major logistics service providers in China to ensure the timely delivery of our devices.

To our knowledge, none of our Directors and their respective Associates or any Shareholders holding more than 5% of our issued share capital had any interests in any of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date.

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During the Track Record Period, all of our five largest suppliers are electronic devices and components manufacturers and distributors. The table below sets forth the details of our five largest suppliers for each of the years during the Track Record Period.

For the year ended December 31, 2020

Supplier	Business activities	Credit terms	Payment method	Year of commencement of business relationship	Procurement Amount <i>RMB in millions</i>	% of total purchases
Supplier A	Electronic devices and components sales; information technology services	30 days	bank transfer	2016	366.7	32.4%
Supplier B	Electronic devices manufacturing and sales	45 days	bank transfer	2016	189.1	16.7%
Supplier C	Electronic devices and software sales	20 days	bank transfer	2019	55.1	4.9%
Supplier D	Electronic devices manufacturing and sales	30 days	bank transfer	2016	29.1	2.6%
Supplier E	Electronic devices and components sales	30 days	bank transfer	2017	22.5	2.0%
Total					662.5	58.6%

Note: we have reached out to the suppliers to obtain consent of disclosure of their identities but failed to obtain such consents.

For the year ended December 31, 2021

Supplier	Business activities	Credit terms	Payment method	Year of commencement of business relationship	Procurement amount <i>RMB in millions</i>	% of total purchases
Supplier A	Electronic devices and components sales; information technology services	30 days	bank transfer	2016	474.4	32.9%
Supplier B	Electronic devices manufacturing and sales	45 days	bank transfer	2016	387.5	26.9%
Supplier D	Electronic devices manufacturing and sales	30 days	bank transfer	2016	94.1	6.5%
Supplier C	Electronic devices and software sales	20 days	bank transfer	2019	91.5	6.3%
Supplier F	Electronic devices sales and information technology services	15 days	bank transfer	2019	83.5	5.8%
Total					1,131.0	78.5%

Note: we have reached out to the suppliers to obtain consent of disclosure of their identities but failed to obtain such consents.

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For the year ended December 31, 2022

Supplier	Business activities	Credit terms	Payment method	Year of commencement of business relationship	Procurement amount <i>RMB in millions</i>	% of total purchases
Supplier A	Electronic devices and components sales; information technology services	30	bank transfer	2016	174.2	28.2%
Supplier B	Electronic devices manufacturing and sales	60	bank transfer	2016	146.9	23.7%
Supplier G	Technical services and IT product sales	30	bank transfer	2022	52.7	8.5%
Supplier D	Electronic devices manufacturing and sales	30	bank transfer	2016	41.5	6.7%
Supplier F	Electronic devices sales and information technology services	15	bank transfer	2019	35.9	5.8%
Total					451.2	72.9%

Note: we have reached out to the suppliers to obtain consent of disclosure of their identities but failed to obtain such consents.

We believe that our operations are not dependent on any particular supplier. During the Track Record Period and up to the Latest Practicable Date, we maintained multiple suppliers and had not experienced significant difficulty in finding suitable substitutes for our suppliers. We had not experienced any material disputes with major suppliers, any difficulties in the procurement services, any interruption in our operations due to a shortage of services or any significant fluctuations in their prices during the Track Record Period and up to the Latest Practicable Date.

SEASONALITY

We experience seasonal fluctuations in our revenues and results of operations. We have historically experienced accelerated business expansion around March and July, mainly due to increasing spending or purchases by our customers (for both our office IT integrated solutions and SaaS product) as a result of active employee recruitment which generates higher office IT service demands. We may also experience seasonal fluctuations in our business around January and February mainly due to slower and postponed spending or subscriptions by our clients as a result of holidays such as Chinese New Year. Overall, the impact of seasonality on our business has been relatively mild due to our rapid 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 – Our operating results are subject to seasonal fluctuations.”

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INTELLECTUAL PROPERTY

Intellectual property is fundamental to our success and competitiveness. We currently hold a portfolio of intellectual property rights relating to certain aspects of our business operations. As of the Latest Practicable Date, we had registered in China a total of 132 trademarks, nine domain names, and 99 copyrights. In addition, we had registered 14 patents and had filed applications for 17 patents in China.

We protect our intellectual property rights, including trademarks, patents, copyrights and domain names, strictly in accordance with the relevant laws and regulations. We regularly improve and update our intellectual property management system in line with the development of our business. We seek to maintain the registration of intellectual property rights that are material to our business under appropriate categories and in appropriate jurisdictions. On the other hand, for proprietary know-how that is not patentable and processes for which patents are difficult to enforce, we expect to rely on business confidentiality agreements to safeguard our interests in this respect. We have entered into confidentiality agreements, or employment agreements with confidentiality terms, with our employees, requiring them to strictly comply with our confidentiality requirements. See “Appendix IV – Statutory and General Information – Further Information about our Business – Intellectual Property Rights.”

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us. However, unauthorized use of our intellectual property by third parties and the expenses incurred in protecting our intellectual property rights from such unauthorized use may adversely affect our business and results of operations. See “Risk Factors – Risks Relating to Our Business and Industry – We may not be able to adequately protect our intellectual property or proprietary know-how, including our remanufacturing technology, which, in turn, could harm the value of our brand and could have a material adverse impact on our business.”

We employ effective internal control procedures to ensure our software compliance according to the applicable PRC laws and regulations, including, but not limited to, the following:

- We adopt a formal written policy to prevent installation of unlicensed software on any of our devices.
- If a customer requires certain software to be pre-installed on our devices, we require confirmation from the customer that such software has been properly licensed.
- We conduct regular training on the prevention of unauthorized use of software.

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COMPETITION

The usage-based office IT industry in the PRC is increasingly competitive. We face intense competition primarily from PC brands and distributors, IT devices rental companies, and office IT integrated solution providers in China. To maintain our market position, we avail ourselves of know-how on the key elements in the long and complex value chain of office IT service industry. We continue to advance our competitive edge through high-quality customer-oriented services supported by efficient back-end architecture, rich experience in large-scale device operations and expertise in remanufacturing technology, such as chip-level repair capability.

However, some of our current or potential competitors may be able to develop products and services more acceptable to enterprises, or may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, regulations or clients’ requirements. See “Risk Factors – Risks Relating to Our Business and Industry – If we fail to compete effectively or adapt to changes swiftly in the industry, we may lose our customers and partners, which could have a material adverse impact on our business, financial condition and results of operations.” See “Industry Overview – Competitive Landscape.”

EMPLOYEES

As of December 31, 2022, we had 1,734 full-time employees. The following table sets forth a breakdown of our employees by business function as of December 31, 2022:

Function	Number of Employees	Percentage
Sales and Marketing	837	48.3
Research and development	210	12.1
Customer service	186	10.7
Customer success	111	6.4
Product	123	7.1
Risk management	97	5.6
Administration	170	9.8
Total	1,734	100.0

Our success depends on our ability to attract, retain and motivate qualified personnel. We primarily recruit our employees through internal references and recommendations, online channels such as third-party employment websites, and recruitment agencies. We evaluate potential candidates’ educational background and skillset to ensure that we recruit people suitable for the position.

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We offer regular in-house trainings to employees at all levels in accordance with their functions, positions and responsibilities, covering both soft skills and technical skills. For example, for engineers with different levels of expertise, we provide diverse training courses lasting four to six months targeting junior, mid-level, and senior engineers to ensure that they are equipped with the necessary skills and knowledge to perform their duties. The subjects of training courses covers different aspects of IT operations, including device installation, troubleshooting, network connection, operating system and server management, hardware repair and replacement, and printer maintenance. We believe our training program has contributed to our ability to recruit and retain qualified employees.

As required under PRC regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, maternity, work-related injury and unemployment benefit plans. We, or agents engaged by us, are required under PRC laws to make contributions to employee benefit plans at specified percentages of salaries. We have failed to make full contribution to the social insurance and housing provident funds for certain employees. For the years ended December 31, 2020, 2021, and 2022, the shortfall amounts of such social insurance contributions, comprising both social insurance and housing provident funds contributions, were RMB2.1 million, RMB3.5 million and RMB0.7 million, respectively. As advised by our PRC Legal Advisor, according to relevant PRC laws and regulations, we may be requested by relevant PRC authorities to pay the outstanding social insurance contribution within a prescribed period and pay an overdue charge equal to 0.05% of the outstanding amount for each day of delay. If we still fail to pay the underpaid amount within the prescribed period, we may be subject to imposed fines in an aggregate amount ranging from one to three times of the underpaid social insurance contribution. Our PRC Legal Advisor is of the view that the likelihood of us being subject to material penalties due to the insufficiency of contribution to social insurance and housing provident funds is remote, on the basis that (i) according to the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Insurance Premiums (《人力資源和社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) issued on September 21, 2018, administrative enforcement authorities shall not organize or conduct centralized collection of enterprises' historical social insurance arrears. The General Office of the State Council issued the Circular on Issuing the Comprehensive Plan for Reducing the Social Insurance Contribution Rates (《國務院辦公廳關於印發降低社會保險費率綜合方案的通知》) on April 1, 2019, which promotes the reduction in the amount of social insurance contributions by companies to avoid overburdening enterprises, and re-emphasizes that local authorities shall not conduct self-collection of historical underpaid or unpaid social insurance contributions from enterprises; (ii) as of the Latest Practicable Date, with the confirmations from local competent authorities, the Group has not received any notice from the competent PRC authorities requiring the Group to rectify or pay the underpaid amounts or any penalties or overdue charge in respect of social insurance and housing provident funds; and (iii) penalties will only be imposed if we fail to pay the underpaid amount within the prescribed period, and Group undertakes that it will rectify or make outstanding payments within a prescribed period once required by competent authorities. During the Track Record Period, the potential

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maximum overdue charge for the underpaid social insurance would be RMB3.5 million and the potential maximum fine for the underpaid social insurance would be RMB24.1 million. During the Track Record Period and up to the Latest Practicable Date, we are not aware of any administrative penalties against us and we had not received any notification from the PRC authorities requiring us to pay for the shortfalls or any overdue charges with respect to social insurance and housing provident funds. In light of the above, our Directors believe that our insufficiency of contribution to social insurance and housing provident fund contributions would not have a material adverse effect on our business, results of operations or financial condition or the [REDACTED].

We have enhanced our internal control measures to rectify the non-compliance matters, including (i) we have adjusted the payment base for all employees' social insurance and housing provident funds contributions to make full contribution in compliance with the applicable laws and regulations; (ii) we have enhanced our internal policies and procedures to ensure compliance with the relevant laws and regulations. Among others, we have clarified in the employee manual that the contribution of social insurance and housing provident funds shall conform with the relevant laws and regulations. Our human resources department calculates and pays social insurance for employees every month based on employees' wages following local social security policies, and is committed to following the rules and policies on social insurance and housing provident funds contributions for any update; and (iii) we plan to regularly consult external counsel to assess whether we are at risk of non-compliance with the relevant laws and regulations, and conduct internal trainings for our Directors, members of senior management and employees responsible human resource matters on the relevant laws and regulations as well as any regulatory updates.

We continuously enhance our human resources management to reduce the risks of labor disputes. Specifically:

- We include comprehensive procedures and standards in our employee manual for employee hiring, new employee entry, employee probation, transfer, dismissal, attendance, salary management and training.
- We enter into labor contracts with the new employees in accordance with the requirements of laws and regulations. Our organization department is responsible for registering and updating the social security information of the new and new employees and making payments on a monthly basis.
- We conduct performance appraisal for our employees according to the standards in the job description, and use the appraisal result as an important basis for employee promotion evaluation.
- We encourage our employees to give feedback to our human resource business partners. We have set up an internal form for employees to exchange information, give feedback or seek help through posting at any time.

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- Our legal department reviews labor related disputes and has established formal procedures for termination process. We conduct trainings for managers, HR personnels and those responsible for direct recruitment on rules and procedures for employment termination, including the employment law, wrongful termination, and litigations.

Our legal department is responsible for managing disputes and litigation in accordance with our internal case management practices. For litigation cases, the head of the department involved in the case is required to submit relevant evidence and materials for the legal team to review and draft a legal opinion. Our legal team will retain outside counsel and initiate legal proceedings when deemed necessary, and is responsible for filing the relevant materials upon completion of the case.

Our employees have not formed a labor union or association. We believe that we maintain a good working relationship with our employees, and had not experienced any material labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we did not experience any strikes, protests or other material labor disputes that materially and adversely impacted our business operations, financial position or our corporate image and reputation.

Our business involves labor-intensive and non-technical activities, such as warehouse management, packing, delivery, device dismantling and sorting, and customer service hotline. In order to concentrate resources on research and development and improvement of core technologies and processes, we outsource these parts of business to certain suppliers from time to time, based on our evolving business development demands. According to Frost & Sullivan, in the computer, communication and consumer electronics (3C) manufacturing, equipment refurbishment and maintenance industry, including office IT industry, it is common for companies to engage third-parties to complete labor-intensive tasks that are not subject to high technical entry barriers, such as device classification, equipment dismantling and sorting. The labor outsourcing service supplier charges us service fees based on the actual workload, after taking into account of its cost for such service (including its labor cost). The salient terms of agreements with these suppliers generally include:

- *Outsourcing scope.* Computer testing, refurbishing, repairing, packing and delivery;
- *Management and supervision.* Suppliers shall assume all legal responsibilities as an employer for all actions and results of their staff in the execution of the agreement. Suppliers are responsible for training, operation guidelines, and payment of wages and benefits. They shall ensure that their staff abide by our business operation requirements through unified management;
- *Service fee.* The service fee is calculated based on the actual workload completed by suppliers, including tax and expenses. The unit price for each contracted project is separately negotiated.

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- *Term.* The term of service is generally one to two years, subject to renewal as mutually agreed by the parties to the relevant agreements.

We have implemented procedures for identifying suppliers and monitoring the outsourcing activities of our suppliers. The application for outsourcing tasks at department level is submitted according to the actual business demand, and is reviewed by the responsible management. The department filing the application will contact suppliers, and we determine the suppliers and sign the labor outsourcing contract after appropriate internal review procedures. The department filing the application, together with the human resource department, will settle the labor outsourcing fees on a monthly basis and monitor and evaluate the quality of the services provided by the suppliers. We have implemented quality control and relevant risk management measures for our suppliers. For example, we require our outsourcing suppliers to undertake that they contribute social insurance and housing provident fund for their employees in accordance with laws and regulations. We give feedback to our suppliers from time to time, and may request them to replace misconducting outsourced staff and improve service quality. Going forward, we expect to further enhance our internal control measures, such as requiring our suppliers to seek our prior consent for sub-contracting arrangement.

During the Track Record Period, the costs of our labor outsourcing amounted to RMB13.7 million, RMB21.8 million and RMB26.3 million in 2020, 2021, and 2022, respectively, representing 6.1%, 8.2% and 10.1% of the total of our labor outsourcing costs and our employee salaries, allowances and benefit expenses. Our total employee salaries, allowances and benefit expenses amounted to RMB212.0 million, RMB243.2 million and RMB260.8 million, respectively, for the same periods, representing 93.9%, 91.8% and 89.9% of the total of our labor outsourcing costs and our employee salaries, allowances and benefit expenses. Our labor outsourcing cost slightly increased from 2020 to 2021, primarily attributable to (i) the disruptions of our business operations the first half of 2020 due to the impact of the COVID-19 pandemic, particularly, the work relating to warehouse management, packing, delivery, and device dismantling and sorting in our factories, see “Financial Information – Effects of the COVID-19 Outbreak on our Business” for details; and (ii) our adjustment in staffing strategy. As labor outsourcing brought certain inconveniences, including high turnover rate and unstable performance of personnel, we adjusted our staffing strategy in 2021 by directly employing and cultivating our own staff to conduct certain previously outsourced services, such as the work relating to customer service hotline, to enhance the stability of employment and improve our customer experience. We believe that this arrangement will allow us to retain employees who are familiar with performing such tasks, save the time and cost of repetitive training, and improve our overall control over the business flow without incurring material additional costs. It also helps us to manage and train employees in a unified and more efficient manner, contributing to a long-term consistent service to our customers. Meanwhile, we continue outsourcing non-technical activities primarily consisting of warehouse management, packing, delivery, and device dismantling and sorting. The volume of such outsourcing activities is expected to continuously increase in line with our rapid business expansion.

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INSURANCE

We consider our insurance coverage to be in line with general practice in the industry. We provide social security insurance, including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees. In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain keyman insurance, insurance policies covering damage to our network infrastructures or information technology systems, except for some property insurance. We have purchased property insurance for the safety of our rental computer. The property insurance covers desktops, laptops and other devices that are in our possession at the address stated in the insurance policy. As we have not experienced any damage to our network infrastructure or information technology systems, we assess that the relevant risks are low and do not require relevant insurance. During the Track Record Period, we did not make any material insurance claims in relation to our business. See "Risk Factors – Risks Relating to Our Business and Industry – We have limited insurance to cover potential losses and claims arising from certain events."

PROPERTIES

Our headquarter office is located in Beijing. As of the Latest Practicable Date, we did not own any properties and we leased properties in China. As of the Latest Practicable Date, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

As of the Latest Practicable Date, we leased 16 properties with an aggregate gross floor area of approximately 38,618 sq.m., which were primarily used as premises for our offices and warehouses.

As of the Latest Practicable Date, two of our leased properties (with a total gross floor area of approximately 517.0 sq.m.) were associated with risks of prior mortgage as it cannot be ascertained whether or not there were mortgages prior to our lease agreements due to the lack of valid title certificates and multiple occasions of subleases before our lease agreements. According to our PRC Legal Advisor, an underlying mortgage of our leased properties does not affect the validity of the relevant lease agreement. However, in the event that the mortgage is enforced, the lease agreement does not bind the mortgagee and we might be required to vacate such property. We believe that in the event that the mortgagee or other third parties challenge our use of such leased properties and we are required to relocate to a new place, we can find suitable alternative properties within the same region, without imposing any material adverse effect on our business, financial condition and results of operations.

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As of the Latest Practicable Date, lessors of two of our leased properties (with a total gross floor area of approximately 1,239.5 sq.m.) in the PRC had not provided us with relevant authorization documents evidencing their rights to lease the properties to us and we are actively communicating with the lessors, requiring valid authorization for leasing. According to the applicable PRC laws and regulations, in situations where a lessor lacks the right to lease, the relevant lease agreement may not be valid or enforceable, and we may face challenges from third parties regarding our leasehold right. We would not be subject to any penalty therefrom but our lease agreement associated with such property might be terminated under relevant PRC laws and regulations. We believe that in the event that we are unable to enforce these leases and are required to relocate due to the invalidity of the lease agreements, we will be able to find alternative premises in a timely manner. We believe that such defects will not individually or collectively have a material adverse impact on our business or financial condition because: (i) we were not subject to any action, claim or investigation being conducted or threatened by any third parties or the competent government authorities with respect to the defects in our leased properties during the Track Record Period and up to the Latest Practicable Date; and (ii) we believe we can relocate in a timely manner, given that these premises are primarily used for offices and are not crucial to our core business.

As of the Latest Practicable Date, we had not completed filing for the 15 properties we leased in the PRC. According to the applicable PRC laws and regulations, property lease agreements shall be filed with the relevant local branches of the Ministry of Housing and Urban-Rural Development of the PRC. Our PRC Legal Advisor has advised us that the lack of registration for the lease agreements will not affect the validity of such lease agreements under PRC law, however, the relevant government authority may require the parties to a lease to register the lease agreement within a given period, and a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease may be imposed on the parties to the lease for failing to rectify it within the given period. The estimated aggregate maximum penalty is RMB150,000 with respect to the unregistered leases of properties leased by us. We are actively communicating with the lessors to facilitate the registration of the relevant leased properties. During the Track Record Period and up to the Latest Practicable Date, we had not received any notice from any regulatory authority regarding potential administrative penalties resulting from our failure to register the aforementioned lease agreements. For more information, see "Risk Factors – Risks Relating to Our Business and Industry – We face certain risks related to our leased properties, as some of our leased properties have title defects and did not complete registration procedures at relevant authorities."

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we were not a party to, and were not aware of any threat of any actual or pending litigation, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) against us that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation.

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We are subject to a wide range of PRC laws and regulations in the ordinary course of business. See "Regulatory Overview." As advised by our PRC Legal Advisor, we complied with the laws and regulations of the PRC applicable to us in all material aspects during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROL

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. We are dedicated to continually improving these systems.

Risk Management

We have adopted and implemented comprehensive risk management policies in various aspects of our business operations such as asset security, data privacy and information security, cash management, credit management, compliance, and financial reporting.

To proactively monitor the risks we are faced with and ensure that our risk management policies are effectively implemented, our risk management department, internal control office and our senior management are required to attend regular meetings on a monthly basis and arrange ad-hoc meetings whenever necessary. Our risk management department, internal control office and our senior management design and implement relevant policies and procedures. We have adopted and implemented comprehensive risk management policies tailored to the characteristics of our business operations with a focus on effectively detecting, managing, and controlling the risks through event-driven risk management, comprehensive due diligence and risk analysis, independent information review and a multilevel approval process.

Asset security risk management

We are exposed to asset security risk with our deposit-free subscription pack. For example, we recorded an increased loss on written-off of rental computer devices in 2022 primarily because certain of our customers had operational difficulties with an increased amount of incidents such as lay-offs and closure, leading to an increase in the number of incidents of damage or loss of our devices during the same time. See "Risk Factors – Risks Relating to Our Business and Industry – We may not be able to effectively control devices under service." In order to mitigate the risk, we have adopted strict asset management policies to monitor and control our devices throughout their life cycle, including conducting company search, litigation search and credit search against new customers, as well as on-site visits to verify customers' status and IT needs. In addition, our sales team conducts regular device inspections during on-site visits. Our risk management department also manages and classifies our assets according to their respective risk profiles, and alerts for any improper device maintenance so that we can terminate services when necessary. If the customer causes any loss or damage to our devices during the subscription period, we take various measures, including: (i) claiming compensation; (ii) offering customers the option to buy out the lost or damaged device; and (iii) initiating any legal proceedings and actions. For customers with whom we lose

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contact or who refuse to return the devices after their subscriptions have expired, we have implemented internal control measures to reclaim possessions of such devices including phone call or on-site visit follow-ups, and seeking legal actions. For customers who have not returned the devices for more than six months after the expiration of subscription, we recognize loss on written-off of rental computer devices in accordance with the carrying amount of such devices.

We have implemented strict internal control measures to maintain our device storage in safe and suitable conditions. Such measures include (i) anti-theft mechanisms, such as installing no-blind-spot monitoring system at our warehouses, conducting regular and/or random inventory counts, and installing burglarproof windows on the lower floors of our warehouses; and (ii) a comprehensive management and penalty system to prevent damage to our devices caused by malicious and unregulated handling by our employees.

Data privacy and information security risk management

We pay close attention to risk management relating to our information technology, as the storage and protection of our customer data and related information is critical to us. We are exposed to risks in relation to data security and cybersecurity in our operations. See "Risk Factors – Risks Relating to Our Business and Industry – Compliance with the rapidly evolving landscape of data privacy and security laws may be challenging, and any failure or perceived failure to comply with such laws, or other concerns about our practices or policies with respect to the collection, use, storage, retention, transfer, disclosure, and other processing of personal data, could damage our reputation and deter current and potential users from using our services." We have implemented strict internal control and data accessing procedures regarding data storage and processing to ensure the security of the data we collect, process, and store during the course of business. In 2018, we obtained ISO27001 information security management certification, which was renewed in 2021. Our data security measures primarily include:

- Deploying our system on cloud infrastructure that is only accessible by authorized IP address log-ins, and updating log-in passwords every 60 days;
- Providing limited authorization to our employees holding specific positions at specific levels to access and process customer data on a need-to-know basis, who shall use such data only for the purposes of performing their work assignment;
- Maintaining system records for employees' access to sensitive data and generating alerts for abnormal behavior; and
- Implementing a data leakage prevention mechanism which automatically terminates unauthorized data export and performs key functions such as the instant blocking of cyberattacks, monitoring and analysis of sensitive data.

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For customer data stored on our devices under service, we usually sign a data security agreement with our customers at the beginning of the subscription period to ensure data privacy. After the subscription expires, we assist our customers to transfer data before they return devices to us. For example, we help customers back up the data and wipe out the data after the devices are returned to us, or conduct data erasing directly if no data backup is required. We also provide customers with the options to purchase and retain the hard drive for extra assurance of data security. We do not store any customer data on our devices to avoid any data leakage.

In addition, 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 and customers without our consent.

Furthermore, we have set up a specialized information security team. The information security team is responsible for inspecting and reporting any suspicious data derivation and transmission activities, as well as enhancing our data protection system pursuant to changes in laws and regulations, and technology development. Meanwhile, this team takes charge of reviewing, discussing and improving our information security management and internal control system to ensure that adequate level of data protection. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material incidents of fraud or errors/defects in data and technology, cyberattacks or data security breaches.

Cash management

As part of our cash management policy to manage the excess cash, we have invested in certain financial products issued by PRC commercial banks to achieve higher interest income. We carefully balance our need for interest income and the risks associated with financial products by investing in simple financial products with principal-protection investment strategies issued by reputable financial institutions. In addition, after taking into account the cash needs for our operations in the normal course of business, we only use the excess cash for our investment in financial products.

Credit risk management

We are exposed to the credit risks associated with our deposit-free pay-as-you-go subscription method. In order to mitigate the credit risks that we are exposed to in relation to the collectability of trade receivables in the transactions, we have adopted credit risk management policies in our internal risk assessment to review and monitor our trade receivables from time to time, including conducting company search, litigation search and credit search against new customers, reviewing the payment history and records of our customers, monitoring business operations of our customers and verifying the authenticity of customer orders with large number of devices if we detect anything abnormal. We also assess the creditworthiness of our customers and assign each of them a credit score by having customers provide requisite information (usually copies of their business licenses and managing executives' identification information to verify their status) and pass our internal risk assessment. We perform ongoing credit evaluation of financial conditions for both our new and

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existing customers. For new customers, we perform a credit evaluation when we conduct on-site assessments of customers, conduct risk assessments verifying customers' status, and sign contracts with customers. For existing customers, we perform a credit evaluation and make necessary impairment provision from time to time, or when certain high-risk signals, such as payment overdue, arise. Particularly, we have designated personnel to conduct a monthly evaluation of the financial conditions of existing customers having over RMB300,000 trade receivables. We may waive all or part of the deposit based on a customer's creditworthiness. See "– Our Business – Our Office IT Integrated Solutions – Pay-as-you-go subscription." In addition, we have established customer management records and holds regular monthly meetings to discuss, among other things, the review of new high-risk customers and the elimination of historical high-risk customers. To deal with material overdue payments, we have adopted procedures which include: (i) close monitoring of material overdue payments; (ii) evaluation of the risk level based on our relationships with the relevant customer, its payment history, financial position, and the general economic environment; and (iii) designing of appropriate follow-up actions (for example, making phone calls, issuing demand letters, visiting the customer's office and initiating legal proceedings or actions). However, we cannot assure that we are able to collect all trade receivables. See "Risk Factors – Risks relating to our Business and Industry – Customers' ability to pay could deteriorate due to reasons beyond our control, which could have a material adverse impact on our cash flow, liquidity position, results of operations and financial condition."

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 agreements we enter into with our customers and suppliers. Our legal department examines the agreement terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations under our business agreements and all the necessary underlying due diligence materials, before we enter into any agreement or business arrangements.

Our in-house legal department is responsible for obtaining any requisite governmental preapprovals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities, within the prescribed regulatory timelines. We continually improve our internal policies according to changes in laws, regulations and industry standards. 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 that our policies and implementation are effective and sufficient. We have an employee code of conduct 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 conduct.

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Financial reporting risk management

We have in place a set of policies in connection with our financial reporting risk management, such as financial reporting management, internal audit, investment management, and budget management. We also have procedures in place to implement such policies, and our financial department reviews our management accounts and internal control procedures based on such procedures. In addition, we provide regular training to our financial department staff to ensure that they understand our accounting policies and procedures.

During the Track Record Period, the top 5 computer brand names of devices under service were HP, Lenovo, Dell, PHILIPS and Apple.

Internal Control

To ensure strict compliance of our business operations with applicable rules and regulations, we have designed and adopted a set of comprehensive internal control policies. The implementation of such policies is overseen by our risk management department, internal control office and our senior management.

To reinforce the control environment and ensure the effectiveness of internal control across our organization, our risk management department, internal control office and our senior management work closely with our legal, finance and business departments to monitor and improve the implementation of internal process in our daily business operations.

We continually review our risk management policies and measures to ensure that our policies and implementation are effective and sufficient.

LICENSES, APPROVALS AND PERMITS

As advised by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we had obtained all material requisite licenses, approvals, permits, registrations or filings from the relevant government authorities. The following table sets out a list of all requisite licenses, approvals and permits currently held by our major subsidiaries.

Name of the License, Approval and Permit	Holder	Expiration Date
Business License (營業執照)	Beijing Ediantao	December 20, 2040
Business License (營業執照)	Huaqing Edian	August 18, 2051
Auction Business License (拍賣經營批准證書)	Huaqing Edian	April 23, 2030
Business License (營業執照)	Epandian	November 7, 2037

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AWARDS AND RECOGNITIONS

During the Track Record Period, we have received recognition for our services. Some of the significant awards and recognition we have received are set forth below.

Award/Recognition	Award year	Awarding Institution/Authority
Zhongguancun High and New Technology Enterprise (“中關村高新技術企業”)	2021	Beijing Zhongguancun Science Park Management Committee (“中關村科技園區管理委員會”)
Beijing Credit Construction Enterprise (“北京市誠信創建企業”)	2020, 2021	Beijing Credit Construction Enterprise Recognition Office (“北京市誠信創建企業認定辦公室”)
National Technologically Advanced “Little Giant” Enterprises (“全國專精特新小巨人企業”)	2020	Ministry of Industry and Information Technology (“中華人民共和國工業和信息化部”)
Beijing Technologically Advanced “Little Giant” Enterprises (“北京市專精特新小巨人企業”)	2020	Economy and Information Technology Bureau of Beijing (“北京市經濟和信息化局”)
Top 20 High-tech and High-growth Enterprises in Haidian District (“海淀高科技高成長企業20強”)	2020	Deloitte China, Beijing Zhongguancun Administrative Committee (“德勤中國，中關村管委會”)